Solutions by Market | Current Issue |

- Home
- Magazine
- Subscribe
- Subscription Customer Service
- Archives
- SDM 100
- Top Systems Integrators
- Dealer of the Year
- Systems Integrator of the Year
- Online
- SDM Newswire
- eNewsletter Archive
- Product of the Week
- 40th Anniversary
- Multimedia
- Webinars
- Video Archive
- eCards
- Resources
- Jobs
- Classified
- Event Calendar
- White Papers
- Annual Buyers Guide
- Central Stations/Monitoring Guide
- Distributor Guide
- Awards
- Events
- iSecurity Virtual Show
- SDM 100 Gala
- Securing New Ground
- SDM Info
- Contact Us
- List Rental
- Advertise
- Marketing Services
- Security Media Group
- SmartHome Magazine
- Security Magazine

Search in: Editorial Products Companies

SDM

Search

# State of the Market: Video Surveillance

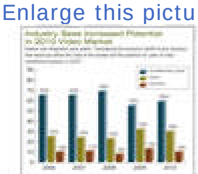
*by Heather Klotz , Associate Editor*

*March 1, 2010*

ARTICLE TOOLS Email Print

*There's less hype driving the 2010 market, as the end users that are spending are more educated, frugal and focused on solutions. Still, technological developments are adding undeniable "sizzle" to the solutions — and with IP hitting a new market segment, the upcoming year has promise.*

Enlarge this picture



While the number of SDM's subscribers who expected strong video sales in 2009 declined, in 2010, that number increased with 9 in 10 subscribers ready for a "good" or "very good" market.

For the most part, bells and whistles are out. In the 2010 video surveillance market, end users saddled with "stripped down" budgets are trimming their systems to match, eyeing every cameras' purpose, and looking for any and every way to gain value and function. They're looking for ways to upgrade what they have rather than start over, and aiming to use their purchases to streamline processes whenever possible.

"An undeniable consequence of the recession is customers that are cost co extending the life of existing equipment," says Mark Wilson, vice president, Monmouth Junction, N.J. "They do not want to write off capital equipment; they have areas that need the capabilities of IP, and because of budget pre at coexisting systems instead of starting with a whole new system."

It is a matter of money. As Fredrik Nilsson, general manager, Axis Communications, Chelmsford, Mass economy, end users are tracking every dollar. For the most part end users are still very careful with m on finding ways to do things more efficiently to fit their budgets. In the past year, people have figured money and it will continue in 2010."

People are also looking for solutions that address their needs, says Elan Moriah, president, Verint Syst "As long as there is an actual need for a proposed solution, end users will buy," Moriah says. "They wil need — real, credible and tested solutions that provide real value and return on investment. They won anymore for gadgets, nice to have products or unproven technology."

Jason Oakley, chief executive officer, North American Video, Brick, N.J., points out that the shaky eco cost-cutting mindset is putting more pressure on the industry to prove video's worth to potential buye

"The economy is looking up, but not dramatically so, and capital budgets will remain under extreme pr continued uncertainties, customers will continue to be very careful about spending money, which make important that we present a strong economic case for the benefits of video surveillance, " says Oakley.

The good news is there's a case to be presented — especially with the newest technological advanceme helping end users streamline business processes. Hybrid products are allowing end users to selectively as budgets allow, and new IP advancements are opening up affordable surveillance options for small to Combine that with exciting developments in HD and megapixel cameras, managed video as a service ( verification, and more, and video surveillance offers a strong case regarding its value.

## SLOW BUT STEADY

The expectations of the dealers, integrators, distributors, manufacturers and analysts that SDM interviewed regarding the state of the video surveillance market in 2010 can best be described as "cautiously optimistic." Their perception of the market was shared by SDM's Industry Forecast Study participants. Fifty-nine percent of participants predicted the 2010 video market would have an excellent/very good year (See chart above for complete results). Following the struggles of 2009, there's no one reason not to expect a much better year in 2010, but there are enough question marks to temper everyone's optimism.

It stems from the noticeable hit the market took as a whole in 2009. It simply wasn't a good year. In November 2008, IMS Research forecast that the global analog and network video surveillance markets would grow by 5 percent and 34 percent respectively during 2009. Despite the initial optimism, the recession did impact the market, and the global market for analog video surveillance equipment ended 2009 effectively flat, while the growth rate for global IP video surveillance equipment finished around 15 percent.

Alastair Hayfield, a research manager at IMS Research, does think that 2010 will be better than 2009, start for sure.

"While there is still a lot of recovery going on in the market at the moment, things are looking up and feet in 2010," Hayfield says. "All of the factors that led to the growth the market saw in 2006 and 2007 The market is still transitioning to IP; there are still growth opportunities for the analog side of the mar crime are still there; governments still want to upgrade solutions and more."

Nilsson agrees — with a catch — it is going to take awhile in some verticals. "So far, 2010 looks fairly will still take a long time to get funding for some specific projects — like in retail, for instance," he says chains that planned expansion went from expanding to closing stores in 2009. Those are the areas it is time to get back into growth patterns, but the growth will come." One area that everyone agrees grow Internet protocol (IP).

## TIPPING THE SCALES

Enlarge this picture

Everyone has been watching IP's climb to match analog sales for some time is the year it will "tip the scales" on analog. One key observation is that IP recession last year. Gary Wong, author of IMS Research's recently publishe

Keeping pace with the continued growth of IP in the industry, 9 in 10 subscribers indicated an increased or similar level of spending on IP from previous years.

Market for CCTV and Video Surveillance — 2009 edition," noted in the repo recession undoubtedly impacted global video surveillance growth in 2009, t surveillance equipment continued to grow strongly. Specifically, while the g video surveillance equipment was effectively flat in 2009, the growth rate f surveillance equipment exceeded 15 percent.

Because of the continued growth in a down economy, many integrators wh switched their focus to IP yet, did so, according to Nilsson. "Two years ago growing, but last year, with analog in decline, those integrators wanting to grow made the switch over flock around the successful part of the industry," Nilsson observes. He also points out that while IP did projections that were made for it in 2009, it was still growing by 15 to 20 percent even in the recessio strong interest in IP.

A second key observation is that manufacturers have stripped down IP systems, putting together less "plug-and-play"-style IP offerings that now fit a whole new market sector — the small- to mid-sized bu sweet spot that has the industry's attention.

"IP technology continues to grow at a faster rate as it migrates into smaller installations and fits into m applications," explains Sethu Palat, senior product manager for video at ADI, Melville, N.Y. "The techn affordability are making IP a more viable option for installations of all sizes. IP video will become critic level markets in the coming year. IP market will gain more share as the total cost of ownership (TCO) the past, the break-even point was in the range of 60+ camera installations, and now it is in the 30+ solutions even more attractive."

And that is going to lead to growth for IP.

"Lower total cost of ownership will also drive growth in the IP industry as it shifts down the pyramid an opportunity in the smaller installations," says Palat. He also points out that IP will drive industry growt

Jay Hauhn, vice president, Technology and Industry Relations, ADT, Boca Raton, Fla., adds that the gr another indicator that IP is reaching more than early adopters. Hybrid systems are actually helping me don't want to leave their old systems behind.

"Many customers want to get into IP, but they don't have flexibility to make a complete migration," Wi the side-by-side approach really comes into play, allowing them to have the benefits of better forensic the life of existing analog cameras."

## HD CONTINUES to SPREAD

IP isn't the only technology impacting the 2010 video surveillance market. High definition (HD), as it spreads through households in the form of HDTV, is quickly influencing the end users' mindsets toward HD surveillance opportunities. Everyone's expecting the technology to have a serious impact on 2010 — and many companies are seeing the growth already.

“Now that HDTV video quality is coming down in price we see it becoming an option for many customers,” says David Raske, marketing manager, VideoSurveillance.com LLC, Portland, Ore.

The consumer market offers a glimpse into the growth possible this year with HD. A report by Cable & Telecommunications Association for Marketing (CTAM) in August 2009 showed that while 35 percent of households owned an HDTV in 2008, that number grew to 53 percent in 2009. It will only go up in 2010. That statistic has a direct effect on the surveillance market, because as end users become aware of HD technology in their homes, they expect it — and even seek it out — in the surveillance video.

“The HDTV concept of higher resolution has finally put the technology into context for the end user,” N are watching sports, they can see the benefit the technology has — and in the security sector, people l concept now as well.”

Robert Gailing, national sales manager, security products, SANYO North America Corporation, Chatswo same thing. “HD will resonate better with people since it is a household term now,” he says.

“The HD resolution is something that analog simply can’t do, and it is a powerful argument for IP. Fina to installations and say, ‘This is a reason to do network video,’” says Tom Galvin, vice president, Produ Security, Carrollton, Texas.

One of the drivers of HD’s quick growth in the video surveillance market is its research and developme consumer market.

Andre Svorinic, video product marketing manager for ADI in Canada, points out that “Manufacturers ha technology from consumer digital cameras, making the megapixel cameras more affordable.”

As Dave Tynan, vice president of global sales and marketing at Avigilon, Vancouver, British Columbia, detail you need to provide absolute indisputable evidence. We are finding arenas are interested in HD, concerned about liability represented by their clients are interested as well. If there is an incident that individual makes a claim against the venue, they can trace every step of that individual and see if ther

Additionally, Tynan points out that HD increases productivity.

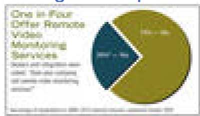
“There is precious little capital available, so the users want to maximize productivity with what they bu than just story telling, they are also making technology choices to validate evidence. HD gives them th instantaneously identify the details needed.”

He also points out that capitalizing on HD doesn’t have to mean installing an entirely new system, ditcl the bank.

“Many companies come to us or our integrator and tell us that the budget doesn’t allow for going full H add HD cameras at key points while maximizing the performance of existing analog cameras to build a

## MEETING NEEDS

Enlarge this picture




One-fourth of SDM's subscribers sell remote video monitoring services to their clients. Among them, the average monthly rate charged is $83. (Rates varied widely among respondents — from less than $30 to more than $120 — just as the type of remote video monitoring services differ greatly).

The popularity of side-by-side technology indicates one thing loud and clea aware of the options and features IP brings, they aren't ready to ditch anal despite IP's continued growth in 2010, as Svorinic maintains, analog is not soon.

"Although growth in the IP market is expected, analog still continues to hav of the market," Svorinic says. "In some applications, analog is the best fit a should not be abandoned or overlooked."

So analog won't go away because there is a need for it. Similarly, video sur growing because there is a need for it as well— and it keeps developing to solutions. One such vertical market is retail.

"When the recession hit, companies cut back across the board, but they still need loss prevention. Tak example. Retail crime grew for the first time in six years, and companies still need security," says Ran Digital, Simi Valley, Calif. Jones refers to the recent annual survey conducted by the University of Flori from ADT Security Services.

The National Retail Security Survey (NRSS) preliminary results showed a real increase in the rate of re time in six years. In 2007, the lowest rate of retail theft in the 18-year history of the survey was repor percent of overall retail sales. Last year that rate rose to 1.52 percent of sales translating into losses o

"Retailers are facing one of the most challenging shoplifting and theft environments in history," said Je ADT retail sales and operations.

In a press release detailing the NRSS, ADT comments that there are a number of new technologies av provide them with increased store intelligence and help them to maximize resources and limit losses. F can use video analytics as a very effective tool in the fight against retail theft, and at the same time it business purposes, studying shopping behaviors and patterns to ultimately help improve overall store

## BUSINESS INTELLIGENCE

Retail isn't the only vertical market expected to utilize analytics for business purposes. Throughout the industry, business intelligence applications are proving to be a well sought after feature.

"Using surveillance cameras for business intelligence is a solution that is working well in today's market," says Nilsson.

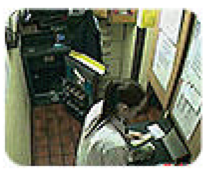
In 2010, hosted "Software as a Service" applications will gain ground and continue developing.

Galvin equates the promising SaaS market to where analytics was a few years ago.

“Software as a service and hosting solutions, whether video management or data storage, is a very rea
market,” says Galvin. “It is one of those things like analytics was five years ago — an emerging trend.
become mainstream. There will be early adopters, but there’s still work to be done on the concept.”

“The SaaS model has proven successful for card access, so video is the logical progression,” Hauhn thi
applications reduce capital expenditure requirements, lowering the barrier of entry. This will enable mo
video in applications where it would have otherwise not been within their reach.”

## AN EYE ON PRICE



One of SG Digital’s installers went into McDonald’s restaurants — changed the cameras — and didn’t need to touch the cabling. With the high resolution, the McDonald’s mangers can now see the denominations of the dollar bills when employees are counting and handing money over the counter.

Gaining a high ROI often starts with the price you pay for the system. It is
of most end users’ minds.

Gailing lists price wars as a continuing factor in 2010. “One of the biggest f
today is the influx of camera technologies that are at extremely low prices,
confuses the market a lot. I’ve heard stories where dealers have convinced
OK to replace the camera every year because it is only $100, but I don’t th
should be — disposable. It is not a positive in the market.”

A study by IMS Research titled “IP Trends in Security: A Survey of Systems
Installers — 2009 Edition” found that support matters as much as price am
integrators and installers, especially when they are considering IP-based pr
observation that many vendors are paying attention to.

## STRENGTHENING SUPPORT

Companies across the industry are taking a close look at training to meet the needs of installers and er
Honeywell, for example, is responding to its dealers’ requests to provide training necessary to make th
IP.

“Our dealers, many of which are traditional security installers, have specifically asked us to provide tra
assist in the transition to IP,” says Eric Zei, director of marketing, Honeywell Video Systems, Louisville
resources beyond the product that help our dealers find, win and keep new business. Last year, we inv
one powerful solution called the “Partner Empowerment Program,” which we’ll continue to promote and
2010 to share with our dealers across the nation.”

ADI is focusing on its training as well.

“We will promote tools such as project registration programs to help dealers win new business and enh
says Palat. “We will continue to offer training opportunities and systems sales support to help bridge th

security dealers to get into the IP market, and fully understand how to install a networked surveillance

“Manufacturers have been steadily improving available information and resources for channel partners
years,” notes Raske.

They’ve had to due to the rapidly changing technological requirements of the market.

“The transition from analog video systems to networked IP-based systems has been well under way fo
pace is accelerating,” Oakley points out. “Training is always a big issue and it is especially critical for a
End users need to be able to depend on their integrators to have a working knowledge of the latest tec
able to interface knowledgeably with corporate IT professionals who are now part of the integration pro

Johnson Controls, SDM’s 2009 Systems Integrator of the Year, is one of the companies investing in tra
upcoming year.

“We do have a formal video program that supports our strategy and right now a key part of it is trainir
of our staff to understand video well. With a company-wide training strategy, that is 600 people that w
experts in IP video. We feel like we already have a strong position, but the path to a stronger position
says John Fenske, senior marketing manager, Johnson Controls, Milwaukee.

## INTREGRATIONS

Integrations are very important to installers in the upcoming year. Full integration keeps installations s
integration can turn projects into a nightmare in a hurry, and installers are valuing manufacturers that
integration they are told they are getting.

“The industry will be placing an increased emphasis on integration in the upcoming year — especially ir
Hood, vice president and general manager of First Alarm, Aptos, Calif., a First Alert Authorized Professi
“Compatibility, or what products work with what products and what software works with what products
biggest hurdles, and manufacturers need to be held accountable for what they ‘offer.’ Sometimes even
individual manufacturers and inquire about their levels of compatibility, you will still have to dig becaus
interoperability. What does it mean? That the different products really are going to be ‘friends’ right ou
going to have to beat them into submission? It is a big thing, and it is ongoing.

“We end up being an intermediary asking, ‘Could you have your software guy talk to their software gu
your thing and their thing do that thing?’” says Hood, adding humor to an area of video that can be fru

Manufacturers are listening, and many of them are willing to admit to the different “levels” of integrati
them as to which ones they’ll pursue in 2010 however.

“There are different levels of integration,” acknowledges Zei. “Individual companies choose how they a
We have taken the approach that if we do an integration, we want full functionality. We believe that en
is a big piece to the success of our dealers growing their business as well as Honeywell’s quest to mee

open community."

In pursuit of integrating all the products its dealers need, Honeywell recently announced a new global i
Honeywell Open Technology Alliance. The alliance clearly defines the security and IT manufacturers tha
collaborating with to increase interoperability between third-party IP systems.

### VIDEO SERVICES

While interoperability may or may not be a given, one given for the industry is that the technology will
change. Hood has seen a lot of change during his 20 years in the industry.

He's participated in the company's entire 10-year journey toward offering video services.

His company, an early adopter of the technology, offers enhanced security with real time video verifica
named FIRSTVIEW. The service, offered through the company's UL and FM listed central station, is des
capture rates, decrease false alarms, allow dispatchers to issue verbal commands to the trespassers vi
analytics.

Looking at the video service First Alarm provides, Hood splits it up into two divisions. "The first way we
video is through 'traditional' alarm verification. We describe it as an alarm event or holdup alarm even
video from the scene by an operator. The second distinct way we use video is to actually use the video
is more of outdoor trespass detection, either combining sensor technology and video or using the video
products. In that way, we extend the perimeter of the security system using video to detect crime outs
area actually looks to have faster growth than video verification for us in 2010."

Keith Jentoft, president at Videofied — RSI Video Technologies, White Bear Lake, Minn., contends that
continue to grow in 2010 because it has immediate ROI.

"Surveillance is an eye witness to events, and in an economy where ROI is key, it helps to deliver appr
use of video verification," Jentoft says. "Instead of just thinking of apprehensions in a recording or a fo
verification helps catch offenders and get police to the scene faster."

### MAXIMIZING OPPORTUNITY

When it is all said and done, while the recession will continue to impact the 2010 video surveillance ma
excuse. From IP to HD, from MVaaS to analytics, there are plenty of opportunities for success waiting f
seize them.

"Someone once told me, 'It is shame to waste a good recession,'" Moriah comments. "Beyond the hum
message is simple: Even in a down market, if you have the right stuff and address your partners' and
effective and credible way, you can be successful."

### Move Over IP and Analog?

As the debate over IP versus analog continues, there's a third technology that's being thrown into the
offers both the simplicity of analog and the high resolution of IP. In the current economy, having a hig
end users that is a cost effective, easy upgrade that doesn't require eliminating the legacy systems tha
turning some heads. That, and the fact that it doesn't require extensive training like IP. Some say the
a serious player in the industry — even rivaling the projected growth for IP. Others say it's a niche ma
won't ever hit mainstream.

Randy Jones, president of SG Digital, Simi Valley, Calif., has been offering the technology to his integra
out on the market — and he's convinced the technology is here to stay.

"One of our long-time partners started working on the project, and when we saw what they were doin
we got behind them," Jones recounts. "Most people seem disinterested until they see what it really is.
any installer is qualified to do this is a beautiful thing. You can't say the same about IP. And the fact th
infrastructure is even better.

"This technology cancels out issues that are still present with IP — servers crashing, reboots, and lost
device and it functions more like analog.

"We see it in a few years surpassing IP most definitely," says Jones. "The main reason is simplicity —
companies like when something is simple (and more profitable). Plus, as production gets up, it will be
already cheaper than a lot of cameras, and soon it will probably be in line with a standard analog came

Jones' company is coming out with hybrid DVRs to complement the HDcctv cameras. "Hybrid DVRs allo
the old cameras in place and install HD where it is needed most. The technology lets end users bypass
replacing what are otherwise working parts. This lets everyone ease into the high definition market."

---

*Heather Klotz , Associate Editor*

|

Did you enjoy this article? Click here to subscribe to the magazine.



. .