

# INDUSTRY TRENDS & CHALLENGES

how the experts see it

## JOE FREEMAN, J.P. Freeman Co. Inc.



### TRENDS IN 2009

1. A slightly smaller industry at all levels did more with less in a deep recession
2. Unfortunate reductions in user security staffing slowed protection advances
3. Numerous vendor merger discussions were prompted by revenue shortfalls
4. IT industry continued an inability to make major headway into security industry
5. Media battle between ADT and Brink's to hold off Broadview rebranding campaign

### INDUSTRY CHALLENGES

1. Maintaining entrepreneurial character in the face of scarce development funds
2. Conducting *business as usual* in the face of an unusual economy
3. Knowing how to test the advisability of numerous IT invitations for partnering
4. Manufacturer attempts to bolster integrator performance now under pressure
5. Creative efforts to maintain price levels as many crowd into IP video space

### TRENDS FOR 2010

1. More smart cameras, higher megapixels and intelligent video software
2. Cutbacks in expansion plans of leading integrators due to revenue shortfalls, truncated credit lines
3. Serious onset of trend from DVRs and NVRs to managed storage services
4. Higher IT influence on security users as *Fortune* 500 replaces people with IT
5. CFOs encourage cost reductions that feed demand for offsite programs

## SANDY JONES, Sandra Jones and Co.



### TRENDS IN 2009

1. Installing company transactions that did not include RMR came to a halt
2. The shrinking residential market drove more companies to the commercial space
3. Hosted services gained acceptance even with the most established dealers
4. Customers demanded more for their money, pressuring profits even more
5. Though more resilient than other markets, security was negatively impacted by the weaker economy

### INDUSTRY CHALLENGES

1. Training, educating and motivating a sales force to sell the new RMR services
2. Finding, motivating and keeping skilled employees
3. Overcoming economic pressures, primarily in markets where there is high-unemployment
4. Leveraging technology to reduce the burden of false dispatches on cash-strapped first responders
5. Becoming even more IT savvy to satisfy customer demands

### TRENDS FOR 2010

1. Increasingly, integrators will leverage central station services to generate recurring revenue and customer value
2. Video verification for alarms will grow to increase profits and protect the recurring revenue business model
3. Hosted services become the new norm
4. Increased consolidation of IT and physical security companies at the technology and integrator level
5. demand for real-time information will increase development of mobile apps

## MIKE MILLER, Electronic Security Association



### TRENDS IN 2009

1. Continued advocacy of proven false dispatch methods to industry constituents, police and fire safety officials
2. Software as a Service (SaaS) opened up a variety of RMR and other opportunities beyond traditional fire and intrusion
3. The demand for open standards rose to the forefront as a requirement
4. Acquisitions slowed and partnerships erupted
5. Increasingly, IT companies and integrators looked to add RMR services

### INDUSTRY CHALLENGES

1. Risk management (criminal background checks, safety, contracts, etc.)
2. Creating positive public awareness of what our industry does to protect lives and property
3. Improving the communication and cooperation between CSOs and CTOs/CIOs
4. Positioning dealers to protect the industry/businesses from IT penetration
5. Standardized and nationally recognized training (i.e. a national apprenticeship program)

### TRENDS FOR 2010

1. The Internet will increasingly be used as a tool for marketing and PR efforts
2. Efforts continue to learn how to work with, or compete against, IT integrators
3. Dealers will experiment with various RMR and video analytic opportunities beyond security or fire/life safety
4. Dealers will expand their services or partner with service providers to create a "one source" offering to end users
5. The Electronic Security Expo (ESX) to grow as an education and networking event

## WALTER BAILEY, The EpiGroup



### TRENDS IN 2009

1. Integrators worked to address the needs of core customers and markets to minimize attrition and revenue erosion
2. Market forced to look for top-line growth in adjacent products, markets, businesses and geographies
3. Businesses focused inwardly on basics like job costing and customer risks
4. Continued slow awakening to IT companies usurping market share
5. More aggressive players competed for same or fewer dollars across all markets

### INDUSTRY CHALLENGES

1. Access to adequate capital sources; acutely scarce for technology and smaller players
2. Sluggish growth due to lag effect of economy, tough wins from here on
3. Margins pressured due to increasing presence of large IT/defense/consulting players
4. Standards coalescing but still fragmented
5. Slowness to change, stove-pipe mentality, poor sales practices, etc. erode industry image

### TRENDS IN 2010

1. M&A up meaningfully with gap filling profitable niche players through to large consolidators
2. No silver bullets or singular technology or provider will win the day; yet, everyone looking for killer apps
3. Heavy focus on cyber security
4. Heightened focus on mass notification solutions in the wake of mass killings
5. Demand rises for systems to become more interactive, and responsive, to compliance needs