

# INDUSTRY TRENDS & CHALLENGES

how the experts see it

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



### TRENDS IN 2008

1. Slower than expected adaptation of convergent systems, largely due to budget pressures
2. Renewed interest in access control technologies
3. Video continued to set the industry's growth pace
4. Intensifying competition narrowed gross margins as new products fail to offset commoditization
5. Fight to offset attrition in monitored intrusion and fire accounts altering market share positions

### INDUSTRY CHALLENGES

1. Supply management's ability to maintain share while coping with uncertain market demand in 2009
2. Need for rapid response at all levels to terrorist attack designed to test Obama presidency
3. Explosion of new security ideas now lengthening and widening industry's boundaries
4. Exploitation of nonsecurity market opportunities with security technologies
5. Need for countermeasures by the established industry to protect against IT penetration

### TRENDS FOR 2009

1. Attrition accelerates rapidly as home foreclosures grow in number
2. Ad spending in both print and online suffer from budget pressures as white papers and training grow
3. An open architecture breakthrough will occur in new security software
4. Field sales operations will experiment more with Webinars and telecons to reduce travel costs
5. TCO analyses will take on more prominence in sales presentations as a means to amortize user purchases

## MIKE MILLER, National Burglar & Fire Alarm Association



### TRENDS IN 2008

1. Increased working relationships between the industry and law enforcement
2. IT/IP-based companies and VARs/custom electronics enter security industry
3. Heightened recognition of the need for effective project management
4. Continued to monitor legislative activity affecting the industry
5. Economic downturn caused tightened credit

### INDUSTRY CHALLENGES

1. Shortage of skilled labor/workforce development
2. Risk management (criminal background checks, safety, contracts, etc.)
3. Going "green" (e-waste, energy consumption, etc.)
4. Creating positive public awareness of what our industry does to protect lives and property
5. Unethical sales practices giving the industry a black eye

### TRENDS FOR 2009

1. Legacy systems replacement market opportunities
2. Product/system design requirements and opportunities associated with aging Baby Boomer population
3. Continued growth in video analytics
4. Adoption of industry apprenticeship programs (state level)
5. Smart home development continues to grow

## SANDY JONES, Sandra Jones and Co.



### TRENDS IN 2008

1. Acquisitions of scale were joined with ones that added new skills and markets
2. New alliances, affiliations, partnerships and forms of distribution were created
3. More elegant solutions emerged that blended IT and physical security
4. Dealers, integrators became vertical markets specialists vs. all things to all customers
5. Emergence of video security franchises and other forms of building RMR using the Internet

### INDUSTRY CHALLENGES

1. Differentiating through adding value but then not charging for it
2. Selling value of security and using technology beyond the security function
3. Satisfying customers who want one provider that is an expert in physical and IT security
4. Paying attention to fundamentals and growing profits, not just sales
5. Creating new central station services that will delight customers; remotely managed access control, video monitoring, etc.

### TRENDS FOR 2009

1. An increased move to creating intelligent buildings
2. Growing the market through the development, acceptance and use of open standards
3. The once recession-proof industry will be impacted by the current economic downturn
4. Software as a service (SaaS) enabling suppliers to join dealers in the creation of RMR
5. Ubiquitous wireless coverage of the U.S. allowing for management and monitoring of even the most remote sites

## BILL BOZEMAN, PSA Security Network



### TRENDS IN 2008

1. IT integrators entering the physical security space
2. Slowdown in integrator consolidation
3. Foreign investment flexes muscles
4. Improved cooperation between physical security integrators and network integrators
5. Realization that network is the future

### INDUSTRY CHALLENGES

1. Difficult credit environment
2. Lack of industry standards
3. Inadequate training opportunities
4. Lack of industry certifications
5. Cooperation and communication between physical security and network integrators

### TRENDS FOR 2009

1. Weak integrators without recurring monthly revenue fail
2. Distribution credit tightens
3. Accounts receivable management becomes paramount
4. IP influence in physical security accelerates
5. New construction projects slow down