Technology Convergence
Trends for the Physical Security Industry

EXECUTIVE SUMMARY

Technology convergence is a topic that will dominate the physical security industry for the near future. The transition to IP-based products is gaining momentum, but the industry is not universally showing strong support for these technologies.

Security products represent one of the most dynamic segments of the U.S. economy. Within this segment a significant amount of attention is being paid to cameras, analytics, and storage systems. Technology is becoming a bigger issue, with traditional analog cameras shifting to IP cameras. Analytics are being touted as a critical component to effective surveillance systems, but the market has not responded as quickly as expected. Storage has typically been localized, but more companies are entering the field with centralized network storage systems.

In order to understand the characteristics of this market and the technology changes taking place, Santa Clara Consulting Group (SCCG) has conducted a comprehensive survey of this market. Over 100 companies involved with making, integrating, and ultimately using physical security products were surveyed to gain perspective on this business.

One of the critical issues analyzed is how quickly the industry will shift from analog to digital systems. Companies were surveyed about where in their organization the security responsibility is located. This provided perspective and an indication of how open the organization is to technology change. Also included in the survey were questions related to various vertical markets and the issues that make companies in these markets more or less disposed to adopt IP technology in their video surveillance applications. Additional questions were posed to a sample of end-users from various vertical markets to understand the issues influencing their channel's business that would determine the speed of transition to IP technology. This included analytics, video management software, infrastructure, and storage systems.

Companies manufacturing physical security products to support IP video surveillance believe their products offer significant advantages in reducing costs associated with personnel and also increase the effectiveness of security applications. The end-user market has had mixed responses to this belief, preferring themselves to gradually upgrade systems or only shift to digital in new installations only. Budgetary concerns and apprehensions about the security of the system on a network have slowed adoption of IP-based video systems.

One important issue impeding the market's transition to IP products is the lack of industry standards. Companies coming from the IT industry recognize that this will be beneficial in supporting convergence, but companies with a longer history with physical security products often prefer proprietary systems because they typically support higher profit margins.

Vertical markets and the type of installation have an important influence on the speed of convergence in this industry. For the purposes of this report, SCCG analyzes the following vertical segments: commercial (office, manufacturing, retail, and casino), critical infrastructure (airports, ports, and industrial, transportation), healthcare, and education (K-12 and university).