

IP Video Surveillance: The High-Margin Opportunity That's Growing Fast

A guide to the sales opportunities of IP video surveillance for value-added resellers and security integrators.

Table Of Contents

INTRODUCTION	3
DEMAND IS GROWING	4
AN OPPORTUNITY TO OFFER CUSTOMERS A TOTAL SECURITY PLATFORM.....	6
A STRONG ROI STORY FOR VIDEO SURVEILLANCE.....	7
IMPROVING SECURITY.....	9
LOWER TOTAL COST OF OWNERSHIP (TCO)	10
INCREASE SALES AND BOOST MARGINS	11
EASY TO ADD TO YOUR SOLUTION OFFERINGS	12
CHALLENGES	13
TIPS TO SELLING IP VIDEO SURVEILLANCE.....	14
CASE STUDY: SCRAP RECYCLERS MANAGE FRAUD.....	15
MILESTONE SYSTEMS	16

Introduction

The demand for IP video surveillance is growing fast, creating a lucrative market for value-added resellers (VARs) and security integrators who embrace this technology and take advantage of the many new opportunities it provides for increasing margins and sales. Ignore it, and Dan Dunkel, president of New Era Associations (a consulting firm for security convergence partnerships and sales strategies), says you will soon "wish for a time machine." He predicts that "by 2010 when 80% of the physical security players finally decide to get serious by actually investing money into convergence resources and infrastructure, the game will already be over ... Ten years from today the winners will look back upon this convergence era with IT as the single most significant event of their business careers."

No matter which side of the fence you're coming from, VAR or security integrator (and this fence is starting to disappear), IP video surveillance provides a great new sales story for video security. It delivers everything from a lower total cost of ownership (TCO) to greater return on investment (ROI). And the learning curve is less than you think. Particularly if you partner with a firm that complements your skills (such as a security integrator partnering with a VAR), or hire the expertise you need.

A good way to get your feet wet is to update existing clients, turning their analog systems into hybrid (analog and IP) solutions. Or target new clients and new markets. Verticals like the education market that already have well-established IP networks are good prospects.

One big advantage to IP video surveillance is it opens the door to the concept of Total Security – integrating all an organization's security solutions under an integrated IP platform. This gives you the opportunity to add many devices you may not have sold before, such as IP video surveillance management software, IP network cameras, switches, servers, and networked storage systems.

This paper will explore in depth the opportunities for you in IP video surveillance. We will also discuss some of its challenges and provide valuable tips. A brief case study of a security integrator who has built a successful business in IP video surveillance through specialization in a vertical market is included.

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Demand is growing

The IP video surveillance market has no shortage of positive predictions on its growth potential. According to market analyst firm Frost and Sullivan, the global IP network video market is pegged to reach \$1.2 billion by 2010. The North American IP video surveillance software market is expected to grow from \$139.76 million in 2007 to \$826.65 million by 2013, according to a May 2007 report by the same firm. Promising verticals include education, retail, government and healthcare – places where people gather and create a security risk.

According to Mark Kirstein, vice president of multimedia content and services at market research firm iSuppli Corporation, “video surveillance is moving beyond traditional security and into new applications such as transportation, retail, government and even home networking ... This expansion is being helped considerably by the idea of networked video surveillance, which allows for greater flexibility, field upgradeability, increased automation, and more intelligence to be incorporated into the overall system. Because of this, IP cameras will experience continued growth in surveillance, displacing existing CCTV cameras with modern technology that can be networked into larger security systems.”

A major driver in this paradigm shift is IP video surveillance management software. It enables much of the value-add of IP video by providing the foundation for highly efficient operations of video monitoring and analysis, as well as opening up a wide spectrum of opportunities for integration with other business applications in an IT environment.

Keven Marier, Editor-in-Chief of IP Video Security Magazine, agrees. “As physical security and enterprise IT converge, building surveillance solutions that are ‘enterprise class’ will become commonplace. The shift towards an enterprise-class environment requires organizations to understand how the components involved in the solution work together to produce the desired level of service.” He also notes: “For two decades, IT has been reengineering solutions. In the late 1980s and 1990s it was microcomputers and local area networks. At the turn of the century, it was VoIP, IPT [IP Telephony] and video conferencing over IP. And now it is IP video surveillance.”

iSuppli predicts 2011 will be the first year that IP network cameras overtake CCTV cameras as the dominant equipment in video surveillance. They foresee overall global video surveillance camera revenue (CCTV and IP network) growing to more than \$9 billion by 2011, maintaining a Compound Annual Growth Rate (CAGR) of 13.2 percent up from \$4.9 billion in 2006. Meanwhile, video surveillance unit shipments will more than double to 65.7 million units in 2011, rising at a CAGR of 17.1 percent from 29.8 million in 2006. In other words, the market is booming.

What's driving this demand? Customers are becoming more sophisticated and demanding. They're already viewing video on their computers, watching everything from movie trailers to YouTube

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videos. The concept of being able to tune into video surveillance camera from the desktop or even a laptop is becoming an expectation.

Another demand driver is that surveillance is no longer being considered a point solution. Companies, educational institutions and government organizations are beginning to ask for a total security package to guard against all threats – unauthorized entry, employee crime, vandalism, data center protection, parking lot security, and random acts of violence.

Milestone Systems CEO Lars Thinggaard has coined the term "Total Security" to express today's need for integrating all of an organization's security solutions using an integrated IP platform designed to manage and integrate complementary solutions to enhance overall security. It's no longer just about cameras and monitors. Total Security requires an IP platform solution and management software that centralizes all of an organization's surveillance needs and enables integration with other security solutions such as card entry systems.

Just like VoIP has completely changed the cost structure of phone systems, IP is now doing the same thing in video surveillance. Standalone analog systems are destined to go the way of the typewriter. All the important innovation is happening in IP video surveillance systems because they enable customers to integrate with other security solutions and better detect, prevent and respond to security breaches.

An opportunity to offer customers a Total Security platform

With this evolution to Total Security, IP video is taking center stage. According to Steve Hunt, founder of the security think tank 4A International:

“... the future of security will make IP video a centerpiece. Once the channels and customers think not in terms of cameras but in terms of applications, then any and every IP-based solution will have a chance to flourish. That's the key difference. Once you plug into the network, your device or your software is an application – a tool for doing business more efficiently or effectively. As security professionals become more confident with business metrics, ROI calculations, cost benefit analysis and other business-minded thinking, the future will be clear and IP solutions will be standard.”

What this means to you is now you can offer existing customers an opportunity to increase the value of their video surveillance investments. Starting with an open platform IP video management system (such as one of the Milestone Systems XProtect products), you can turn existing installations into a hybrid solution that incorporates the customer's existing analog system (running its camera through video encoders) and provides the myriad advantages of a networked system. This is a good migratory solution that will lead to more business with customers as they continually replace their aging analog gear with IP video surveillance equipment and add other networkable security applications.

For new installations, you can introduce customers to all the benefits of a Total Security solution right from the start. For example, the open platform IP technology and the versatile Application Programming Interface and Software Development Kit (API/SDK) of Milestone XProtect products opens the door to provides endless integration possibilities with access control, POS or ATM systems, alarms, gate barriers, and more. Support for multiple servers, sites and clients allows you to tailor and scale the system to precisely fit your customer needs now and in the future.

A strong ROI story for video surveillance

ROI has never been a major sales point for video surveillance equipment. Primarily because video surveillance has been used for crime prevention, prosecution and protection against insurance claims – services hard to put a number on. But with IP video surveillance, video surveillance can provide measurable ROI.

For starters, IP networking enables centralization of security operations. Security for many locations can now be centralized at a single office. This provides dramatic opportunities to redeploy security staff. It's not hard, for instance, to see ROI in staffing just one control room to manage 30 sites rather than 30 control rooms. Instead of viewing monitors at each location, security officers can be deployed on the floor where they can react to situations faster.

This brings up a basic difference between analog and IP network cameras. Since human monitoring is fallible, most analog cameras, according to former head of Wall-Mart loss prevention David Gorman, are used primarily in an investigative/after-the-incident manner. They're reactive, not proactive. Often no one is viewing them. IP network cameras, on the other hand, because they're basically computers with lenses, can do the watching for you. They use video analytics in real-time to identify what they see and send alerts when necessary.

The ROI comes once an alert has gone out. Because the search capabilities of IP video surveillance are much faster than tape-based systems, they enable much faster determination of what is happening. Bill Bowens, who managed an upgrade to IP video surveillance at Dallas-Fort Worth International Airport, notes that video decision support data on whether to evacuate a terminal can now be accessed in 10 seconds, whereas with analog cameras and video tape, it might take minutes or more. He estimates that being able to avoid evacuating a terminal just twice could pay for the system. Imagine the importance of this feature on a college campus or in a mall where knowing what is going on while it's going on can enable users to determine the danger level and often resolve a situation before it gets out of hand.

Another big part of the ROI story for IP surveillance systems is the number of ways they can be leveraged by other users of the network outside of security. This enables an IP video surveillance system investment to extend its usefulness to training, marketing, HR, and other departments. In fact, video analytics and the fast search capabilities of IP surveillance systems transform video data into actionable intelligence that organizations can use not only to enhance security, but also make better decisions about all kinds of operational efficiency. The question today is not what video surveillance is doing for the customer, but what more could it be doing.

Here is a list of just some of the ways IP video surveillance system can achieve greater ROI for a customer.

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- A marketing department can record and study consumer behavior such as dwell time in the aisle or at a end cap or display.
- A warehouse can improve logistics by studying truck traffic patterns and unloading.
- An HR department can use video of employees performing well for positive reinforcement and employ video of poor performance to back up disciplinary actions.
- Training departments can use captured footage to create training films.
- Operations in a retail store or college cafeteria can use video analytics to provide alerts when more cashiers are needed.
- Retail security can time-stamp POS transactions on the video to match employees with transactions. This provides solid evidence and a way to catch and stop losses quickly in cases where employees alter sales tags, charge lower prices, deliberately “miss” items, allow multiple items through, and perform various coupon and return cheats.
- Receiving departments can use IP networked cameras to see inside containers to ensure they're fully unloaded before leaving the premises and prevent this common form of being short changed at the freight dock.
- College campuses and other educational facilities can lower insurance premiums by using wireless networking technologies to extend IP video surveillance to parking lots and other remote areas of the campus to reduce theft and violent crime.

Improving security

IP video surveillance systems have a strong sales advantage in improving security. An IP video surveillance system using video analytics can do things like identify a truck parked in the wrong area of an airport, an airline passenger trying to enter through an exit, and a shopping basket with unpaid for goods on the bottom tier being pushed through a cashier aisle. The system can respond to all these incidents by sending out pages, text messages or other forms of security alerts. No one has to be watching the monitors, no one has to alert a security officer. It's all done automatically.

IP network cameras also offer many security advantages. They provide magnitudes higher resolution than traditional analog cameras and cover a larger area. Their superior digital zoom capabilities can provide rich detail such as facial features or the numbers on a license plate, rather than blurry, hard-to-read images. Programmable intelligence at the camera level can include detection of motion, directional motion, abandoned objects, object removal, human presence, camera tampering, and identification. This intelligence provides early alerts to situations needing attention from security or other personnel. IP network cameras are also often equipped with image buffers to save and send video collected before and after an alarm occurred. Pan/tilt/zoom (PTZ) controls allow a viewer of live action to zero in on areas of interest.

For customers in areas vulnerable to earthquakes, power outages, and other disasters, another great selling point of IP video surveillance systems is the cameras can be powered through Ethernet cable. Power over Ethernet (PoE) enables IP network cameras to use the same power backup system as the rest of the IT system.

Other great security selling points include flexible remote access (the ability to access video surveillance data from any location at any time using a desktop computer, laptop or PDA) and the ability to export video evidence faster to public authorities.

Lower Total Cost of Ownership (TCO)

TCO is an important metric for any sale. Here IP video surveillance has another great story to tell. A study by Axis Communications using interviews and cost data from security integrators, VARs and industry analysts found that IP-based systems of at least 40 cameras deliver lower TCO than analog systems. The break-even point for IP-based systems versus analog system was 32 cameras.

There is one important exception. If IP infrastructure is already present, the IP-based system is always less expensive from the start. This is because PoE installation are easier and less expensive than coaxial cabling and installing power outlets.

IP-based systems also offer many non-quantifiable advantages, including better maintenance and service, increased flexibility, and easier troubleshooting. Scalability is superior in IP-based systems – one camera at a time can be added as easily as installing another network drop. IP-based systems can even be remotely serviced – camera performance can be adjusted and diagnosed over the network.

Cost calculations for video surveillance systems favor the economics of open platform systems using standard IT infrastructure components over proprietary analog CCTV systems using DVRs. IT equipment is likely to drop faster in price than analog.

Perhaps most important of all, choosing IP video surveillance “future proofs” your customer’s investment. The IP approach is the foundation of tomorrow and ongoing product enhancements give your customers long-term returns on their surveillance investment. Open systems aren’t going away and their lower TCO will eventually drive proprietary analog systems from the market.

Increase sales and boost margins

Helping your customers bust out of “proprietary jail” and achieve all the benefits and innovations of open platform solutions also has an important advantages for you. It can help you increase sales and margins.

Open platform solutions provide all kinds of new ways to add value and increase margins. For government offices and high tech companies, for example, you can design entry systems that integrate facial recognition capabilities with card readers to ensure positive identification and increase security. The additional value of such a system can help you win in a competitive bidding situation without having to give up a lot in price.

In fact, the future of video surveillance in the Total Security market is going to be all about demonstrating your ability to choose the best equipment, build the best solution for a particular customer, and integrate with their existing infrastructure. You will do well if you can come up with solutions that cut through the noise in the IP video surveillance market by providing value, scalability tuned to the needs of the organization, and the ability to leverage existing investments in security and IT systems.

Each vertical, such as education, offers you chances to provide specialized solutions that address their particular needs and differentiate yourself from your competitors on more than price. Networking services also offer a way to increase the revenue potential of every implementation. The key is to make money on the value-adds to offset the lower margins on standard computing hardware such as servers, switches, and cameras.

Easy to add to your solution offerings

Whether you're a VAR or security system integrator, IP video surveillance systems aren't just lucrative to add to your solution set, they're the right move for the times.

If you've been selling traditional analog systems, you need to get up to speed on networking now. Your expertise in video surveillance and security are invaluable during this convergence of video surveillance, security and IT. But it is imperative you learn the new technologies and nuances of the IT market, so that you can recommend the best solutions on an installation-by-installation basis. The discussion no longer is just about the cameras, recording equipment, and monitors. It's about the entire solution, starting with the IP video surveillance management software that will be the heart of the solution. Management and application software play the most important roles in an IP surveillance system, providing features like motion detection, remote access, storage, viewing options, search capabilities, and administration.

If you don't know how TCP IP, firewalls, and Power over Ethernet (PoE) work, take the time to learn, acquire the expertise, or form a partnership with an VAR. IP video solutions involve more than attaching cameras to an existing network. Systems have to be planned very carefully in terms of the recording that will actually take place, the video analytics employed, what will be recorded, the demand on network bandwidth, and video storage. You need to understand things like how to assign IP address schemes including subnet masks, packet forwarding, domain name systems (DNS), and multi-casting.

According to Jim Gompers, founder and president and CEO of Gompers Inc. and a 20 plus-year veteran of the security industry, "Integrators will soon be taking on the roll of value-added resellers (VARs). What makes them different from the companies we already know? It's in the term 'value.' A true VAR will be a partner in solving the end user's problems. They will not only integrate, they will also assist in creating efficiencies and business solutions that can truly impact the end user's bottom line while focusing on the overarching issues of security and safety."

Obviously for VARs, it's important to realize you're not simply selling IP components. You're selling a security solution. The more you understand the concept of Total Security and the needs of security organizations, the more successful you will be in tapping this market. To truly get your feet wet will require hiring security expertise or developing partnerships with security integrators.

Challenges

The video surveillance market is not without challenges. Several exist that you will need to address to help speed the adoption of IP video surveillance equipment. The biggest is limited customer awareness and expertise with networked video surveillance. In most companies and organizations, the security department has limited experience and understanding of IT infrastructure and simply an end user relationship with IT. Conversely, the IT department has a limited understanding of security. IP video surveillance requires bridging these two entities and getting them to work together. In many cases, you'll not just face integrating IP video with the existing network, but also the need to get the security and IT departments to work towards common goals. The inherent organizational divisions between IT and security departments will add increased complexity and slow down the decision and buying process.

Another challenge to overcome will be the conservative nature of most traditional security customers. They will naturally feel most comfortable with what they know – analog surveillance systems. You need to help them through the learning curve and most importantly help them see how IP video surveillance will enable them to do their job better and make a more important contribution to the organization.

Tips to selling IP video surveillance

Here's a brief list of helpful tips for selling IP video surveillance and improving your knowledge and skill set.

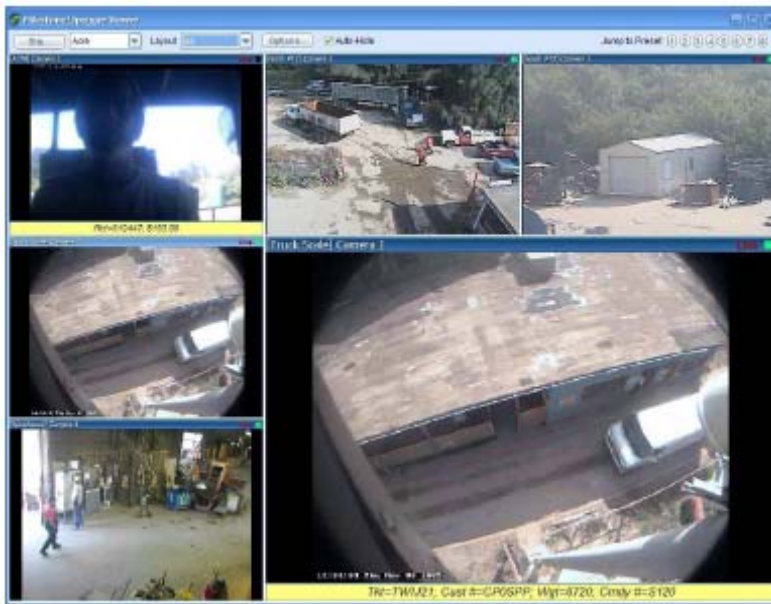
1. Address both the CSO and CIO, selling them on the concept of Total Security. You'll need the support of both the heads of security and IT to give your customers maximum value from their system. If you can't get their attention right away, work on members of their staffs to build grassroots support for your solution.
2. Winning the support of a company's IT operations is critical because they're not only familiar with the technology, but they're also the ones responsible for maintaining it and performing upgrades.
3. Get your foot in the door of both IT and Security by pointing out the benefits of having video surveillance centralized and managed with IP video surveillance management software. This is the important connecting piece for all that follows.
4. Don't sell products. Sell solutions. Know the core needs of your customer and offer a customized solution that meets these needs, plus offers value-added features they may not have thought to request.
5. The easiest sales are going to be businesses and institutions that are heavily networked already. For example, many college campuses have extensive IP networks and are looking for ways to improve security throughout the campus. IP video surveillance is perfect for these applications. IP video surveillance, because of its wireless capabilities, is also excellent for edge applications such as parking lots, freeways and transit.
6. IP video surveillance systems also have a distinct advantage wherever image quality is important, such as banks, retail stores, law enforcement, education, and casinos.
7. Take advantage of training opportunities. Attend webinars and training offered by equipment manufacturers.

Case study: Scrap recyclers manage fraud

1. The Challenge

The rising price of metals has made scrap yards a hotbed of crime. The high price of copper, for instance, leads some criminals to strip homes or business sites of their wire and then sell it for scrap. Frequent visits from police disrupt management time and operations. Going back

through surveillance videotapes to search for evidence could take a manager all day.



2. The Solution

Transact Payment Systems develops and installs solutions for scrap yard security. The company uses Milestone Systems XProtect Enterprise IP video management software because its open platform includes all-important APIs that Transact Payment Solutions uses to integrate the IP video with the payment ATMs, scales and other elements of their scrap yard solution. They also choose

XProtect because it operates with a mix of IP network cameras from a choice of more than 30 manufacturers. That enables them to use the right camera for each specific application in the scrap yard. Wireless networking enables surveillance of even remote areas of a site.

3. The Advantages

Using Transact Payment Systems' solutions, scrap recyclers record every step of a transaction, including vehicle, license, number of people, and size and weight of load. Faces, driver's license and customer numbers are integrated with the scales the ATM payment information, along with the camera images for simultaneous search and analysis. Recordings of each transaction are extremely easy and fast to call up and export for police investigations. The system is also used to clarify material disputes and reduce material grading errors. Huge amounts of time are saved, while fraud and theft are deterred and resolved. For Transact Payment Systems, this vertical has become a profitable business. The company does business with scrap yards across the country.

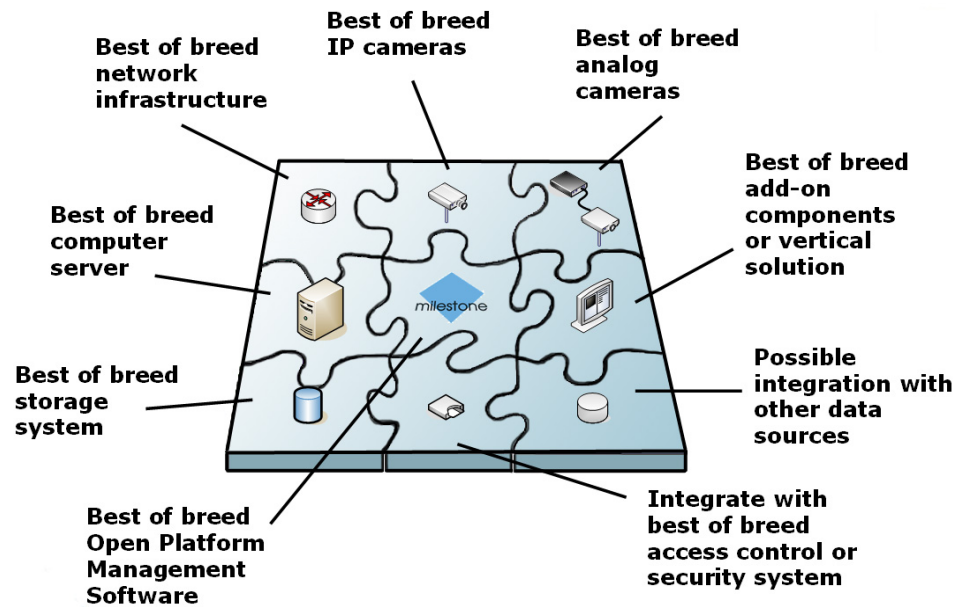
According to Ken Gruber, founder and president of Transact Payment Systems, the ease of use and combined data with the video and transactions "makes auditing the scrap yard business so much more efficient."

Milestone Systems

Innovator. Milestone Systems is internationally recognized as an innovator and thought leader in open platform IP video management software. Milestone's XProtect products operate as the core of surveillance systems: connecting, sharing and managing all devices through a single interface that is easy to learn and operate.

Easy to use. The XProtect platform is easy to use, proven in operation and scales to support unlimited devices. XProtect products support the widest choice of network video hardware and are designed with an Application Programming Interface (API) that integrates seamlessly with other manufacturers' systems.

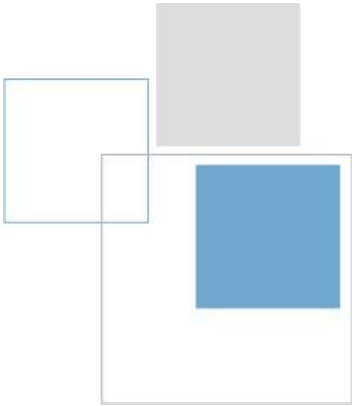
Best-of-breed. Using XProtect, you can build scalable, "best of breed" solutions to reduce cost, optimize processes, protect assets and ultimately increase value in a company's products and services.



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Milestone Systems is the industry leader in developing true open platform IP video management software. The XProtect™ platform gives users a powerful surveillance solution that is easy to manage, reliable and proven in more than 35,000 customer installations worldwide.

With support for the industry's widest choice in network hardware and integration with other systems, XProtect provides best-of-breed solutions to "video enable" organizations – reducing costs, optimizing processes, and protecting assets.

Milestone software is sold through authorized partners in approximately 90 countries.

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