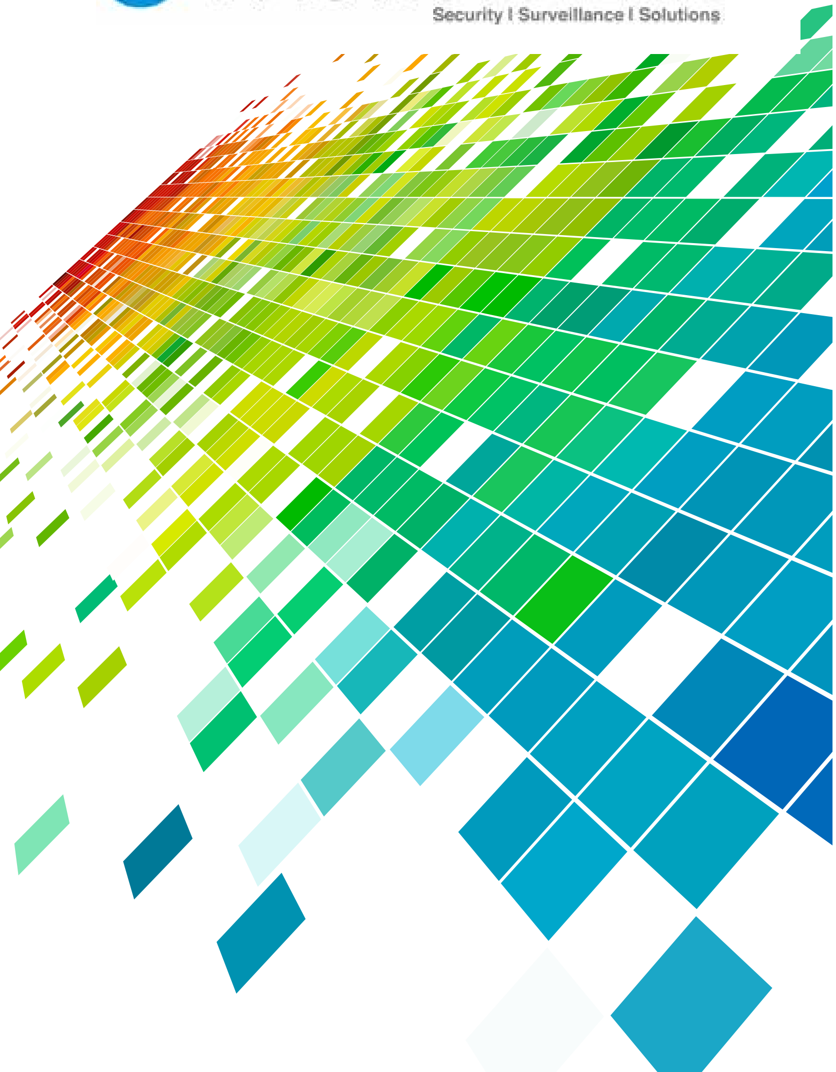
Trends, Technology and Transition in Physical Security

What's Driving Your Policies and Investment Decisions

iViewSYSTEMS
Security I Surveillance I Solutions



The U.S. security industry has seen solid growth in private security spending, with increased spending on security products and equipment as well as security services. Organizations, regardless of size or sector, continue to be most concerned about operating budgets and compliance and risk management. They are expected to increase spending in a number of areas, including IT software and hardware, contract security services, access control and CCTV video surveillance. Many will look to adopt physical security information management systems to incorporate all those elements.

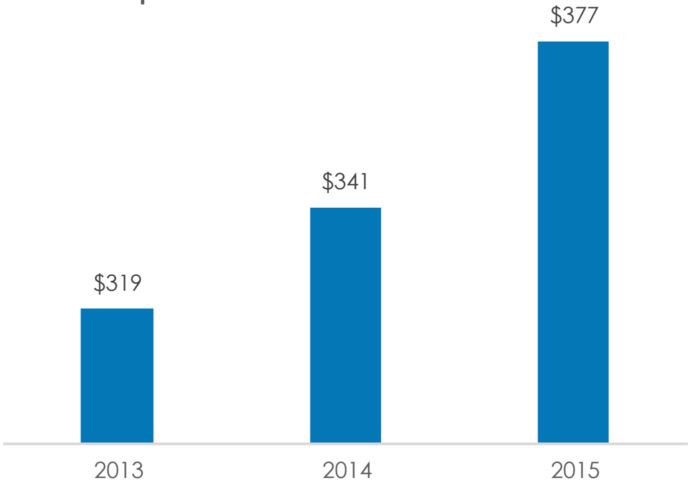
Information about the U.S. security industry was collected through two surveys conducted by ASIS, iView, and IOFM (Institute of Finance and Management) in 2012 and 2014, which included budget projections for 2014 to 2016. The ASIS/IOFM survey polled more than 5,000 members of ASIS International; 479 respondents completed the survey online. The ASIS/iView survey was emailed to more than 16,000 members of ASIS International; 526 respondents completed the survey online.

Security Market Growth

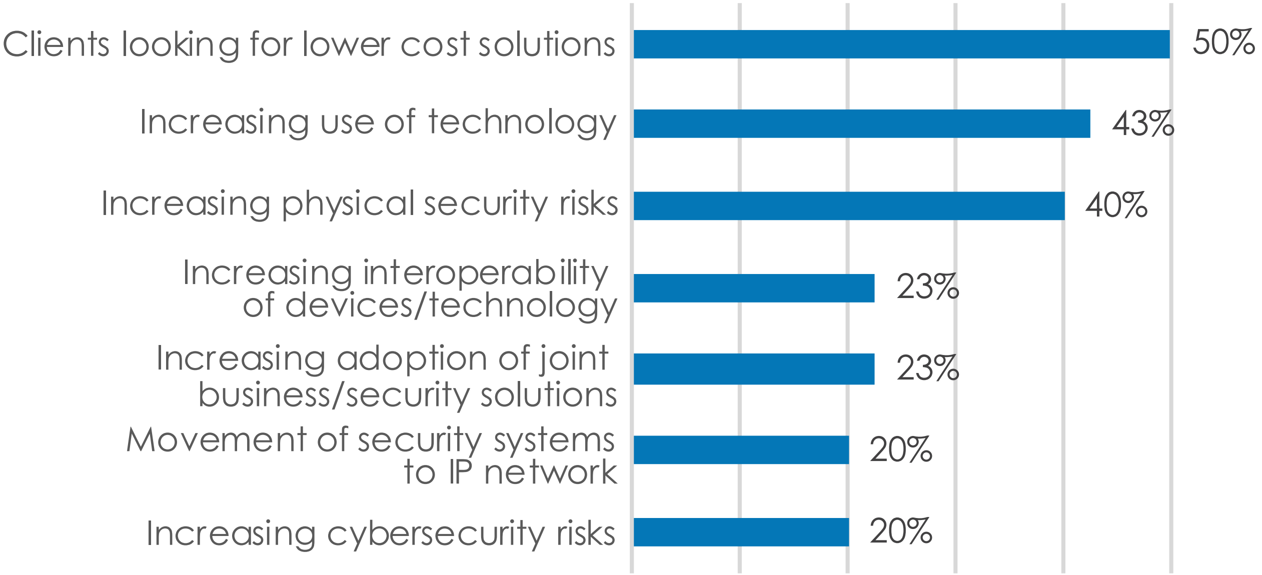
The survey results showed a solid growth rate in overall private security spending, with $341 billion in 2014 and a projected $377 billion in 2015. Those numbers are conservative because spending in other industries, such as facilities management and emergency management services, often goes unaccounted. These figures correspond with other major industries, including the utility industry at $400 billion and education at $324 billion. While the private sector is driving security spending, the federal government is projected to spend $71 billion in 2015, for a total expenditure of $448 billion.

Factors spurring that growth include the inability of police to investigate or prevent crime, such as sophisticated financial fraud; growing number of federal regulations; increasing active shooter cases; globalization and expansion into new markets; and a spate of natural disasters and fear of natural disasters. Key drivers for growth include cost reduction, greater use of technology, and increased physical security risks.

Private Sector Security Spending 2013-2015 in billions $



Key Drivers of Growth for Security Products and Services

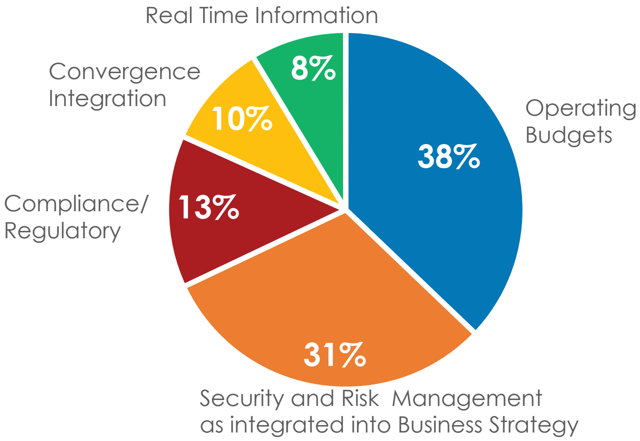


Security product and equipment spending reached $66 billion in 2014, with $73 billion projected for 2015. Some find it surprising that IT spending now tops security products and equipment spending, and that gap will likely continue to grow. Spending on IT security reached $35 billion in 2014 and $39 billion in 2015, as opposed to $31 billion and $34 billion for operational security.

Meanwhile, private sector spending on operational security is three or four times higher than IT security ($147 billion on operational compared to $43 billion on IT security). However, within those numbers, IT security tops operational security with a much higher percentage spent on staff training ($3 billion in operational and $8 billion in IT). Also, in terms of repair and maintenance, more upgrades and licensing costs are required in IT security.

Survey respondents ranked from one to six their top security operations concerns for the next two years. Not surprisingly, the number one concern was operating budgets, with economic and cost reduction pressure from the business. Security and risk management as an integrated element of overall business strategy came in heavily behind that. That pointed toward the return on investments and the business value of overall physical security environment. In third place came compliance and regulatory issues, followed by convergence and integration and the requirement to share and access information in real time.

Top 5 Security Operating Concerns for the next 24 months



Consulting, Planning and Management

The survey revealed that the consulting, planning, and management service industry is one of the most fertile areas for spending growth among security services. More than one out of four companies is increasing spending on consulting in 2015, and that number almost rises to one third over a two-year period. Not a single respondent plans to cut spending on consulting services. Those industries that will be spending the most include technical service firms, law firms, research and development firms, transportation firms, utilities, and large companies with more than $1 billion in revenue.

The survey also looked to identify where that money is coming from and how that reporting structure affects spending. IT and physical security remain under separate reporting structures; 79 percent do not report to a higher power, while only 22 percent of respondents have IT and physical security under the same reporting structure. True integration between IT and security in a single department is rare.

IT Security

IT security is proving to be a robust market. The majority of respondents showed that present levels of spending on IT security software are being maintained. Twenty-nine percent said they project a spending change on software of more than 10 percent from 2014 to 2017.

The healthy projected spending on IT security software reflects a cross pollination of IT security and physical security budgets as a key component of the overall budget mix. Twenty-nine percent plan to increase spending on security software, the second highest among all the products polled. The strong demand comes from professional, scientific and technical services companies, as well as information companies such as telecom. The only industry lagging behind is the mining and extraction industry.

The market is seeing a strong demand for security hardware as well, across all industries. Twenty-two percent plan to increase their spending in 2015, and 37 percent in 2015-2016. The growth comes from privately owned companies, information companies, and scientific and technical service firms.

The survey also looked to see which departments participated in interdepartmental reporting. The security function is the most open and integrated department, with 94 percent participating in interdepartmental reporting. Next on the list came compliance at 53 percent, IT at 51 percent, risk at 51 percent, then legal with 45 percent.

Contract Security Services

Contract security is one of the largest single segments of the security industry, with spending rivaling that of electronic security products. What happens with the contract guard industry defines what happens to the security services industry as a whole. Outsourcing of security officers should remain strong, with 45 percent of companies saying they will increase spending on outsourced officers between 2014-2017. Still a not insignificant 13.7 percent will cut back on this expense. So for every couple of companies adding officers or shifts or spending more money, there is another one that is cutting back or bringing that function in house.

The survey found that not surprisingly 69 percent use contract security in terms of labor force management over full-time employees. Securitas is the most employed agency, a $3.6 billion company. G4S came next, at $3 billion, followed by AlliedBarton with almost $2 billion overall revenue.

Security Department Size and Budget

Among the security departments that did include full-time employees, those who had 100 or more staff make up 28 percent of the overall respondents, those with 10 to 49 staff make up 35 percent, and 25 percent employ fewer than 10 staff. So the smaller private sector industries make up a large part of security budgets. In terms of overall security budgets, annual budgets not including the full-time labor force, 56 percent have more than $1 million, 24 percent between $200,000 and $1 million, and 10 percent less than $100,000 to $200,000.

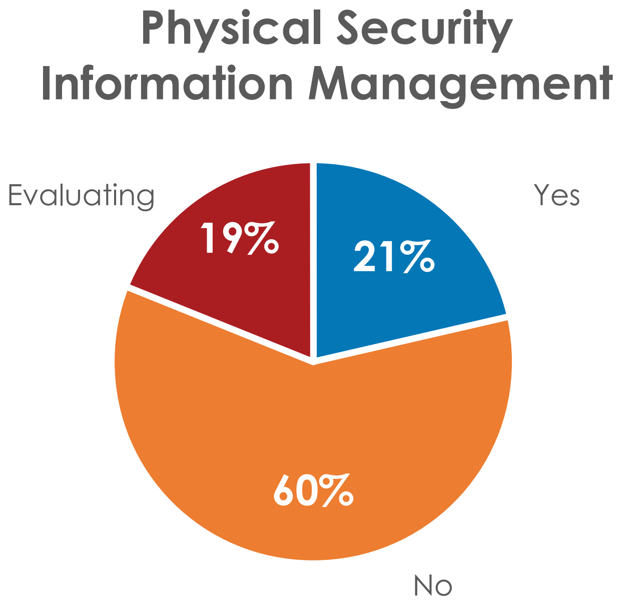
Challenges remain in terms of the makeup of overall physical security reporting: cloud services are still finding obstacles to overall end user acceptance and reliability. Bandwidth is a primary issue for cloud services – effectively having access to your physical security reporting, in terms of CCTV access control or other cloud based systems.

Integration will become a key element as operations move to cloud services, and that integration will be driven by small to mid size businesses. Fewer than 30 percent indicated that they have more than three of the physical security elements integrated in terms of access control, video surveillance, incident reporting, and mass notification.

In terms of overall makeup of end users for security operations centers, 63 percent have an existing security operations center (SOC) in place. That shows that SOCs are a mature component of the physical security reporting structure. And most of those who do have a security center in place have done so for more than three years (83 percent).

Physical Security Information Management

Physical security information management (PSIM) is a new force in the marketplace. PSIM promises to tie together all the security elements, bringing together video surveillance with physical elements as well as IT and reporting structure. It brings all the



alarms, events, and exceptions together; it uses business logic to reduce all that data to the most relevant information, distilling it for analysis and action.

Budgets don't appear to be a factor in purchasing PSIMs, with 24 percent of the respondents exceeding $1 million indicating they have a PSIM in place. Instead, growth is being driven by the need for PSIM-side convergence and where we go next. Vendors in play include Proximex (46 percent), Nice (42 percent), and VidSys (39 percent).

Visitor Entry and Management

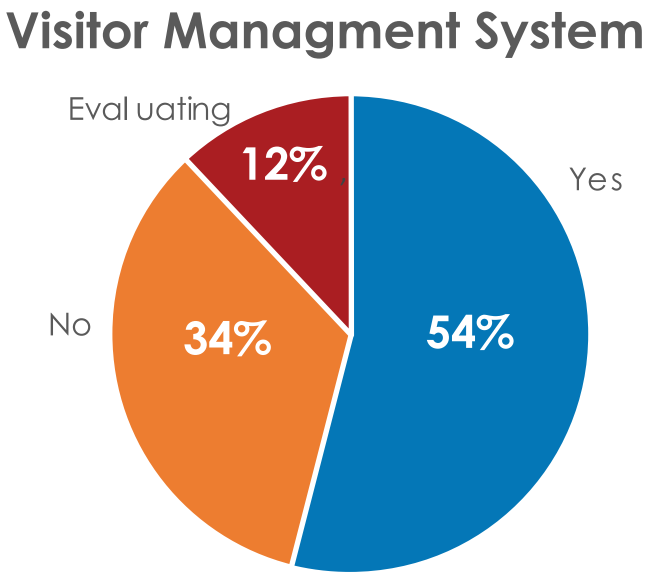
Visitor entry and management was the next element that was important to security picture – 54 percent have some form of electronic visitor management system in place, while 34 percent do not. Vendors are split evenly between Easylobby (25 percent) and Passage Point (17 percent).

The health care industry has been the quickest to take advantage of these technologies; 67 percent of respondents in health care indicated that they currently use a visitor entry and management system.

Access Control

A large number of companies– some 25 percent -- plan to increase increasing spending on access control in 2015. Over two years, that number increases to 57 percent. Some might wonder why access control and identity management is increasing, as it is a mature sector and most companies have systems already in place. Yet 17 percent plan to increase spending in this area by more than 10 percent, and only 6 percent plan on cutting down on spending.

Access control is a growing market, particularly among smaller organizations with fewer than 1,000 employees. A broad range of suppliers include Lenel, Tyco, Honeywell, ADT, Identicard, and AMAG. Yet a broad number of respondents (141 of 526) indicated they employ access control systems from other suppliers.



CCTV/Video Surveillance Spending

CCTV spending will see the strongest growth of any product or service surveyed, with 33 percent planning to increase spending. Growth will take place in all information, transportation, and education fields. Also, network video revenue is about to surpass analog for the first time, as technology evolution has resulted in declining prices and better products. There's also a move toward more mobile video, which can enhance security patrols, improve supervision and offer an independent record of incidents to which officers respond.

This growing market enjoys a healthy degree of competition, with no single vendor exceeding 20 percent of market penetration. Pelco, Lenel, Honeywell, and American Dynamics drive a large portion of that business, with Genetec and Milestones heavily contributing to that market place as well.

Mass Notification

Nearly half of the organizations use some form of mass notification, or the ability to mass notify on pager, cell phone, email or other threshold in emergency circumstances. Forty-eight percent have an existing system in place, and 13 percent are currently evaluating solutions. SendWord Now and Everbridge are the two largest suppliers, but 150 respondents indicated they employ other vendors.

Incident Reporting and Management

For incident reporting, 74 percent have in place some form of automated electronic system, while 21 percent do not. Of those systems deployed, 41 percent use a custom off-the-shelf solution, such as an iView, iTrak Incident Reporting and Risk Management Platform or the equivalent, while 55 percent had built their own in-house solutions. These figures reflect a mature market in incident reporting, with many of those using home grown access systems.

Alarms still play a key role in security and incident reporting, especially in those who do not have onsite security. Additional investigation components were required and the market is growing based on the generation of alarms as well.

In terms of those solutions that have real-time input into their incident reporting system, only 25 percent of those polled have solutions that are integrated into their exception reporting from their alarm panels, video surveillance products, or other security components. The gap between those who employ an incident management system and those getting the advantage of an integrated solution is quite wide.

In conclusion, business intelligence will play a key role in security metrics in the future, with 61 percent having no business intelligence in place, and only 28 percent in place for physical security reporting for business intelligence. Vendors include SAP, Microsoft, SAS, IBM/Cognos, and others. The majority of organizations are struggling with the ability to implement business intelligence for physical security.

A lack of metrics and overall accurate business intelligence is a key roadblock to security today. Traditional physical security has lagged significantly behind IT. The majority of organizations continue to struggle to get the desired value out of their BI investments.

With all these systems in place, it's becoming ever more critical for interoperation and inter-reporting between the systems for integration. Now that businesses are spending all this money for physical security on access control, physical surveillance, and other systems, they must learn to leverage that for success.

Get More Data and Trends from the Webinar

Join thought leaders from ASIS International and iView systems for a deep dive into recent research that illustrates how the security industry is changing and growing in ways that need to inform every security budget and strategic plan.

Speakers:

James Moore, Chief Operations Officer,
iView Systems

Michael Gips, VP Publishing,
ASIS International

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