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SDM Exclusive

State of the Market: All Eyes on the Rise of Video Security

Despite continuing battles with the supply chain, spiking inflation and other obstacles, the video sector remains on a robust, upward trajectory.

By Rodney Bosch

Chimera Integration's Casey White (left), president, and Justin Stearns, innovation specialist. The integration firm is experiencing significant growth in providing cloud-hosted video systems that meet compliance and regulation requirements for end customers across New York and beyond. // *IMAGE COURTESY OF CHIMERA INTEGRATIONS; CELAFON/CREATAS VIDEO+ / GETTY IMAGES PLUS VIA GETTY IMAGES*

February 6, 2023

According to SDM's 2023 Industry Forecast, 69 percent of security professionals consider the state of the video surveillance market to be very good or excellent, while 22 percent consider it to be good, and just 10 percent believe the state of the market is poor or fair. Overall, video sector projections have improved slightly over last year, when security professionals reported these same response categories at 63 percent, 29 percent and 9 percent, respectively.

The general optimism expressed by survey respondents is reflected in rising sector revenues. For example, 76 percent expect revenue from video surveillance systems (on-premise and cloud-based) to increase in 2023, up 12 percentage points from the previous year.

Ahead, we tap numerous video surveillance specialists to explore their marketplace opinions and understanding on a range of topics, including key growth drivers for products and services, performance expectations for 2023, top channel obstacles and much more.

Outlook: Tempered Optimism

For the past six years, SDM has asked security systems integrators how they would rate the current state of the video surveillance market.*

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |

Excellent/Very Good   Good   Fair/Poor

10%

22%

69%
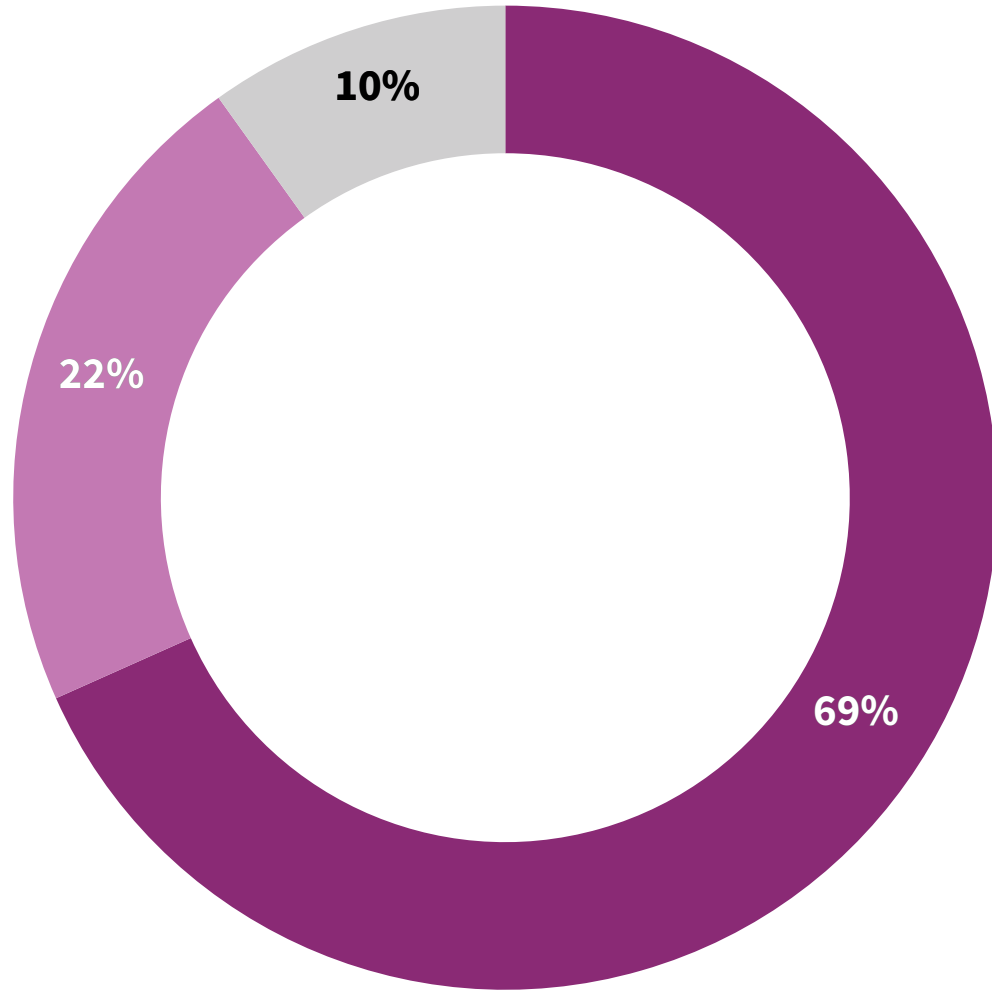
*numbers don't equal 100 due to rounding

☀ A Flourish chart

91 percent of the respondents to the SDM 2023 Industry Forecast rated their confidence in video surveillance systems in 2022 as excellent to good, with only 10 percent believing it was fair/poor. Video remains the technology with the highest confidence among all respondents. *Numbers don't equal 100 due to rounding // Source: *SDM* 2018, 2019, 2020, 2021, 2022 AND 2023 INDUSTRY FORECAST STUDIES

Market Sentiments From Across the Channel

In the latest Security Market Index (SMI), a bi-monthly survey of select Security Industry Association (SIA) members, the video surveillance sector showed rising performance expectations. The SMI survey measures general business conditions but also gauges six elements to reach one index number that signals security industry executives' confidence, according to SIA.

In December, the SMI for the video surveillance sector increased with a reading of 64, compared to 50 in October and 58 in August. By comparison, in December the overall industry Security Market Index was 59.

Confidence in the video sector remained positive, with 27 percent of video surveillance professionals rating business conditions as excellent, 55 percent saying conditions were good, and 18 percent saying conditions were either average or fair. Moving forward, one in five survey takers in the video sector said they expect business conditions to be much better in the next three months, 70 percent said a little better, and 10 percent expect conditions to be worse.

"We are watching the evolution of the security video world really develop," says Ronald Haught, CEO of Alarm Systems Inc. (ASI) and Associated Technical Services (AST), Milwaukee. "We are asking a lot of the hardware platforms to do more and more than they've ever done before. And now we're trying to catch up with the infrastructure along with the progression of the video industry."

Advancing Security With Artificial Intelligence

Artificial intelligence, or more accurately machine learning and deep learning, is believed by some experts to be on the verge of transforming the security industry, but possibly nowhere is that more evident than with video surveillance.

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The video market in 2022 proved to be quite robust with growth exceeding market predictions, says Brad McMullen, president, 3xLOGIC, Westminster, Colo. He says as the world continues to transition out of the pandemic, lessons learned during the past 24 months are being put into action.

"Remote access to facilities and estates has become front of mind for most, and the ability for advanced edge devices such as analytic cameras to gather and analyze data continues to advance the notion of proactive security," McMullen says. "With many companies returning to an employee onsite presence, either hybrid or full time, there has been a focus on investing in security solutions, especially video, to improve the safety and security of facilities where occupancy is more random. Additionally, with some workers remaining in a remote environment, the need to be able to view, access and interact remotely is critical. Video has the ability to enable this real-time awareness."
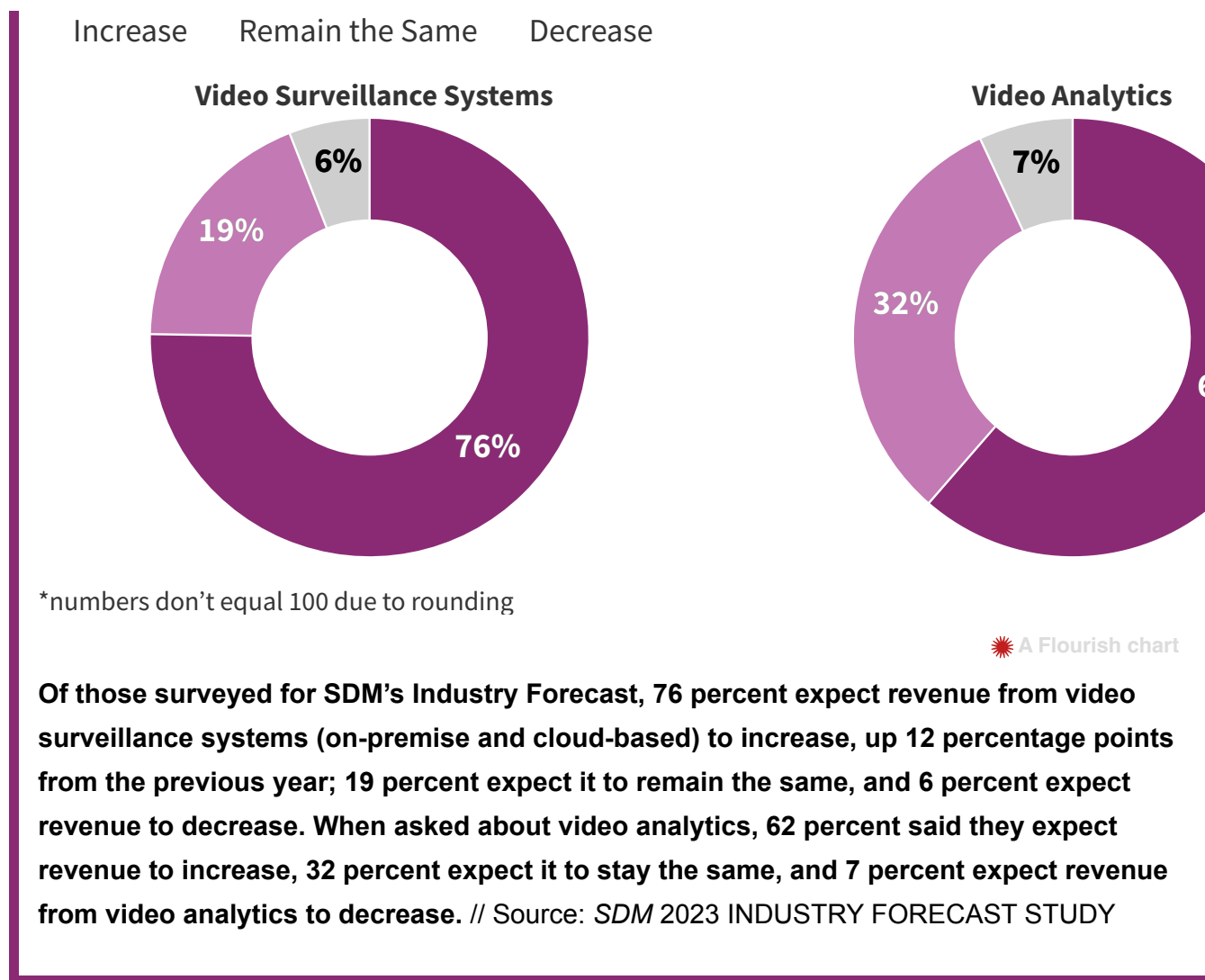
In 2022, the market for video surveillance continued to grow as the security industry focused on creating a safer world, explains Fredrik Nilsson, vice president, Americas, Axis Communications, Chelmsford, Mass. The industry also continued to present plenty of room for consolidation, he continues, with some companies adopting an acquisition strategy in order to speed up their growth and take advantage of market conditions.

"The market also faced its share of challenges throughout the year, from trade tensions and geopolitical issues to supply chain challenges and inflation," Nilsson says. "Despite these challenges, or in some instances because of them, we have seen new technologies develop quickly — for example, video analytics continue to improve and present new use cases, and innovative hybrid edge-cloud architectures are emerging."

Justin Stearns, innovation specialist, Chimera Integrations, Plattsburgh, N.Y. (featured on this month's cover), says end customers are really beginning to invest into higher-end solutions offered by the company, with video surveillance continuing to be among its overall top three revenue generators. As customers — including healthcare and the cannabis industry — invest in cloud-hosted managed systems to meet regulatory requirements, Chimera is realizing more money per installation.

Video Surveillance & Analytics Revenue Predictions

SDM asked, "How do you expect revenue from video surveillance systems and video analytics to change in the next year?"

Increase   Remain the Same   Decrease

Video Surveillance Systems

6%

19%

76%

Video Analytics

7%

32%

6

*numbers don't equal 100 due to rounding

☀ A Flourish chart

Of those surveyed for SDM's Industry Forecast, 76 percent expect revenue from video surveillance systems (on-premise and cloud-based) to increase, up 12 percentage points from the previous year; 19 percent expect it to remain the same, and 6 percent expect revenue to decrease. When asked about video analytics, 62 percent said they expect revenue to increase, 32 percent expect it to stay the same, and 7 percent expect revenue from video analytics to decrease. // Source: *SDM* 2023 INDUSTRY FORECAST STUDY

"We are offering more and giving more to our clients that are getting video surveillance," Stearns says. "And then we're also getting more out of our business from surveillance because of what we're able to offer on a whole new level now. So moving into 2023, we're really continuing to focus on some of those outside integrations with IoT. Another really big driver for us to focus on with cloud-managed systems is open APIs and taking advantage of the integrations that already exist out there."

By example, Stearns references open platforms by Brivo and Eagle Eye Networks that Chimera Integrations is leveraging to deliver next-level services and system capabilities. The company also uses webhooks — an HTTP-based callback function that allows event-driven communication between two APIs — to have certain actions that trigger reactions through video surveillance. This helps to deliver holistic systems to end customers, he says.

"So whether it's using access control with integrations with video or even just customer survey IoT buttons — like the happy-sad-neutral face buttons when in a facility that ask how your experience is — we can tie those events together with video surveillance," Stearns describes. "If somebody has a bad experience, we can take a trip through history to find out why they had a bad experience. And then with advanced search analytics with video, you can easily track that person and their experience through the store based on what their input was."

Dallas-based Lucintel, a management consulting market research firm, estimates the global video surveillance market will reach $76.8 billion by 2027 with a compound annual growth rate (CAGR) of 9.6 percent from 2021 to 2027.

Dean Drako, CEO of Eagle Eye Networks, Austin, Texas, echoes optimism that the video surveillance market is primed for strong growth despite post-pandemic effects, supply chain issues and regional conflicts.

"I believe that the video surveillance market is at an inflection point in 2023," he forecasts. "We're at the beginning stages of a multi-year expansion that will eventually triple the size of the market. There are a few factors at play."

Drako cites cloud adoption in video surveillance that is accelerating rapidly. Also, there were about 1 billion security cameras installed around the world in 2022, and he says that number is increasing daily. Another big factor, artificial intelligence (AI) and machine learning (ML) are now operational for video surveillance.

"The combination of these three factors will spur tremendous market growth," Drako explains. "The amount that customers will spend on video surveillance will triple over the next several years because of the value that customers are getting from cloud + AI, not only for security and safety but for business improvement as well. "We'll see a huge lift in revenue in the security industry, because we'll actually be delivering a whole new product."

Watchmen Security designed and installed a cloud-hosted video surveillance and door access solution at the home facility of the Kansas City Current, a professional women's soccer team in Kansas City, Kansas. The integrated solution covers all doors and gate controls. // *IMAGE COURTESY OF WATCHMEN SECURITY*

Overall Sector Expectations for 2023

Even though a new year often connotes a new start, installing security contractors and manufacturers alike will continue to face many of the challenges they confronted last year throughout 2023. As well, much of the same optimism that came to fruition in 2022 has carried into 2023, with sources for this report expressing high expectations for their business prospects.

David English, customer success manager for Lawrenceville, Ga.-based Southeastern Security Professionals (SSP), says the integration firm currently foresees the potential for 2023 to be even better than a rock-solid 2022. In the past year, the company has seen a big uptick in providing hosted services, such as VSaaS, plus rising adoption in analytics, including anti-tailgating and to manage loitering. SSP is also seeing pickup in requests for remote video guarding, which English attributes to a shortage of security guards in the marketplace.

However, just because SSP isn't currently experiencing any slowdown in demand for its engineered systems or budgeting from its mostly enterprise clientele, the company remains laser-focused on performance indicators.

"We are obviously paying attention to our pipeline and how it's growing," he continues. "We're paying attention to how our marketing activities are doing. Are people responding to those? Are we getting a lot of people that are telling us, 'Not now'? Are they asking for new stuff? Are they slowing down? Are their budgets getting cut., etc.?"

Sanjay Challa, chief product officer, Salient Systems, Austin, Texas, explains there is some fear and concern about how recessionary headwinds are impacting the market. However, end customers are continuing to invest in security solutions and are being asked to do more with less, he says.

"As more cameras are going up, there's less staff to manage these additional devices," he says. "That puts more burden on security systems to produce the right alerts and notifications to maximize operator efficiency and ensure the systems have continuous uptime."

> *"I believe that the video surveillance market is at an inflection point in 2023. We're at the beginning stages of a multi-year expansion that will eventually triple the size of the market."*
> *— DEAN DRAKO, Eagle Eye Networks*

Challa says Salient capitalized on the market's overall growth in 2022 as it continues to invest in CompleteView, its flagship VMS product. The company's integrator and end-user customers also want to leverage the cloud for easier remote access, which has been an important growth driver for Salient and the development of its cloud services offering.

These same growth trends are expected to continue in 2023, Challa says. "That includes the convergence of physical security and IT, which has led to an interest in solutions that are cloud-based, that require less manpower and effort to manage and maintain, but also solutions that fit better into an organization's IT ecosystem, as IT teams get more involved in security purchasing decisions and system management."

Challa adds that convergence is underpinning some of the drive to better connect video and video surveillance systems to business operations and customer experience. "A lot of that will involve more sophisticated metadata support to aid in this data transformation," he says.

Insiders Address Key Topics for Security Pros to Consider

Sources interviewed for this story provide additional insights on a range of topics revolving around the video surveillance sector and beyond.

Fredrick Nilsson, Axis Communications | Network Video Technology

Many users realized the versatility and value of intelligent network video during the pandemic as it played a major role in providing innovative solutions to new challenges — helping businesses meet COVID guidelines, stay open, keep customers and staff safe, and gain business efficiencies. Video surveillance is a long-term market and hardware manufacturers and software developers will continue to innovate in order to meet the growing needs of the market.

Justin Stearns, Chimera Integrations | Upselling

One of the old sayings is, 'Do you want fries with that?' We have an opportunity to upsell with cloud-managed systems. Certainly there are a lot more new opportunities — ramping up cloud storage, for example, if they run out of hard drive space. There is a lot there revenue-wise that was never realized before. We have camera systems that are paying us thousands of dollars a month, per system. It is a totally different animal.

Eva Mach, Pro-Tech Design | Customer Education

As an industry, we need to do a better job of educating clients on new technology and the applications of these new technologies. As integrators, some of those conversations aren't natural to us. We are comfortable talking about cameras and frame rates and storage.

We need to better educate the client to serve them as best we can as the technology changes and also be mindful as to whether or not that fits with our client's policy and procedures internally. I see education as an opportunity to help clients in their business. There is so much data that we collect now at the edge and our customers have a huge opportunity to use that data to improve their business operations.

John Nemerofsky, SAGE Integration | Consolidation

Interest rates are going up. I think we'll see a slowdown in the consolidation that's been going on with integrators, and the ability for private equity or other companies to borrow. They used to be able to borrow at such low interest rates that borrowing money and acquiring made it a very leveraged event; where with the interest rates higher there will be less to leverage and less arbitrage to go on in our business.

David English, Southeastern Security Professionals (SSP) | Competition

We continue to see competition from companies' internal IT departments. So as the [VMS user interfaces] continue to get simpler, we see a lot of companies internally that are starting to take on the video piece. So there is some competition there. And then obviously the IT service companies entrance into our market for the video side we continue to see competition coming in. And then [there is] competition from manufacturers selling direct. … Companies like that are that are really trying to get out there and educate the customer and do business with them directly.

Show less

Eva Mach, CEO of Pro-Tech Design, Minnetonka, Minn., expects there is going to be continued strong demand for video and part of it is the increasing public concern for security and safety. "For example, as employers are reopening businesses, cities are responding to people's perception of increased crime and that is driving demand for video," she says.

Analytics are also contributing to the increasing demand and customers are also looking to refresh their hardware, Mach adds.

"Cloud-based scalability is beginning to resonate with people and this is important because many businesses are operating with a smaller IT staff and the beauty of cloud is that it requires minimal hardware investment," she says. "The overarching theme is that companies are looking to become more efficient and they want to invest in solutions that will reduce the demand on human resources because we are dealing with labor shortages everywhere. It's important that we use technology to help solve this problem."

Nilsson of Axis Communications expects to see three trends continue, which will support strong market growth in 2023: more rapid advancements in technology development; improvements in the supply chain; and continued industry consolidation.

"We have seen the market grow over the last few years and there is no reason to expect it to slow down, especially as the supply chain continues to improve and end customers are able to get the products they need more quickly," he says. "The industry is still fragmented and as competition stiffens and companies look to diversify their offering and remain competitive, merger and acquisition activity will continue."

Cloud-Based Video Offerings Increase for 2023

SDM asked, "Which managed or cloud-based services do you currently offer and plan to offer?"

Currently Offer   Plan to Offer

62%

58%

48%

32%

Remote Video Monitoring

Video Surveillance as a Service (VSaaS)

☀ A Flourish chart

Sixty-two percent of security professionals currently offer remote video monitoring, down 2 percentage points from last year with 32 percent planning to offer it. Fifty-eight percent currently offer Video Surveillance as a Service (VSaaS), shedding 5 percentage points from the previous study. // Source: *SDM* 2023 INDUSTRY FORECAST STUDY

Video is a very strong category for Snap One, and as the value and features of its products continue to grow and surpass consumer expectations, Clint Choate, senior director-security market, says the Charlette, N.C.-based manufacturer and distributor expects sales to continue growing.

"We are focused on enhancements such as access anywhere — mobile, computer, television — increasing AI/ML capabilities such as package and vehicle detection, and the convergence of video and intrusion services," he says. "These will drive demand regardless of the state of the economy. The soft economy will somewhat temper demand but we are optimistic."

Haught of ASI and ATS underscores that security professionals have been very fortunate that the video industry in general hasn't been as adversely effected by the supply chain fiasco as much as other sectors, including access control and fire alarms.

"For example, there are people that are still waiting 12 months for fire products," he says. "In the video world, you might have a 30- or 60-day window, and you can almost always find some type of substitute if it's really urgent."

Haught adds, "I think that 2023 is going to be a bigger growth year in general, because you have companies coming out of COVID that have sat on some money and really sat on things because they didn't know where the pandemic was going to go, as well as having the economic issue of decreased revenue."

Milestone Systems, Lake Oswego, Ore., has entered 2023 with the expectation that supply chain issues will become a non-variable, and so therefore is cautious yet optimistic for growth across the Americas region, explains Tim Palmquist, vice president, Americas.

"We don't yet know how dependencies on the increasing interest rates in the economy will play out. We foresee that uncertainty around interest rates and the impact of inflation will continue; however, 2023 looks very positive in our lens," he says. "We continue to see a strong appetite for VMS and we're shaping our business planning with that perspective in mind."

Chimera Integrations demonstrates the possibilities of providing end customers with holistic integrated systems based on an open platform. // *IMAGE COURTESY OF CHIMERA INTEGRATIONS*

What Will Be Top Video Market Drivers?

Laurent Villeneuve, product marketing manager, Genetec, Montreal, explains a growing requirement for security operations is to be able to better collaborate and communicate between internal teams, locations and with external stakeholders. Providing this functionality can be expected to take off in 2023 as end users look to centralize communication and data exchange tools, he says.

"Video management systems are the cornerstone of an effective collaboration system, and where communications should be built into every task and workflow. An intercom can be just as crucial as a camera for incident response or day-to-day monitoring operations," Villeneuve describes. "Tying it with maps, video recordings, access control events and other data points enhances efficiency and response time. Advances in the unification of communications with VMS, along with improvements in mobility — for example, sharing data and performing video calls from the operations center to mobile phones — will empower security teams across most industries in 2023."

I-PRO Americas, Houston, is also forecasting growth in the coming year for solutions that leverage data, in particular, "Using video and audio data to bring security to the next level, to support operations, deliver efficiency and help boost revenue," says Hiroshi Sekiguchi, executive vice president. "We believe i-PRO will see the most growth for our products in data-driven markets."

Chuck O'Leary, vice president of sales, video systems and solutions - North America, Bosch Security and Safety Systems, Fairport, N.Y., says a continued focus on driving end-user demand for the company's products will help it bring new opportunities integrator partners.

O'Leary says application-specific offerings for video analytics will support this approach and make it easier for integrators to deploy the technology to solve customer pain points around building security, perimeter security, traffic monitoring and more with cameras that offer built-in intelligence.

> "We are offering more and giving more to our clients that are getting video surveillance. And then we're also getting more out of our business from surveillance because of what we're able to offer on a whole new level now."
> — Justin Stearns, Chimera Integrations

"For example, opportunities exist to use video analytics for advanced intrusion detection in and around buildings and for long-distance detection of perimeter breaches at energy facilities or other critical sites," he says.

Moreover, O'Leary explains detection of pedestrians and classification of vehicles can help city planners and traffic engineers deploy real-time safety solutions on streets and highways and gather data on roadway usage to improve mobility and efficiency in smart cities. Analytics customized to the needs of specific markets combined with a setup that requires no onsite video analytics calibration will make implementation easier.

"Integration of intelligent video with other security systems will also be a key driver in other markets, such as education, where integrated systems help to increase security and reduce complexity," he says. "In both K-12 schools and on college campuses, risks are constantly evolving, ranging from vandalism and theft to violence among students or from external threats. Integrating video, security, and communications solutions help to mitigate risks and maximize the safety of buildings and grounds.

Mach of Pro-Tech Design says her company entered the new year especially focused on analytics and making sure that end customers understand the value, how analytics can help save on labor costs, and enable them to do more with less. At the crux of this focus is the systems integration between video, card access, intrusion and visitor management.

Security Professionals' Perception of the Video Analytics Market

SDM asked, "What is your current perception of the video analytics market?"

Very Good/Excellent   Good   Poor/Fair

27%

37%

36%
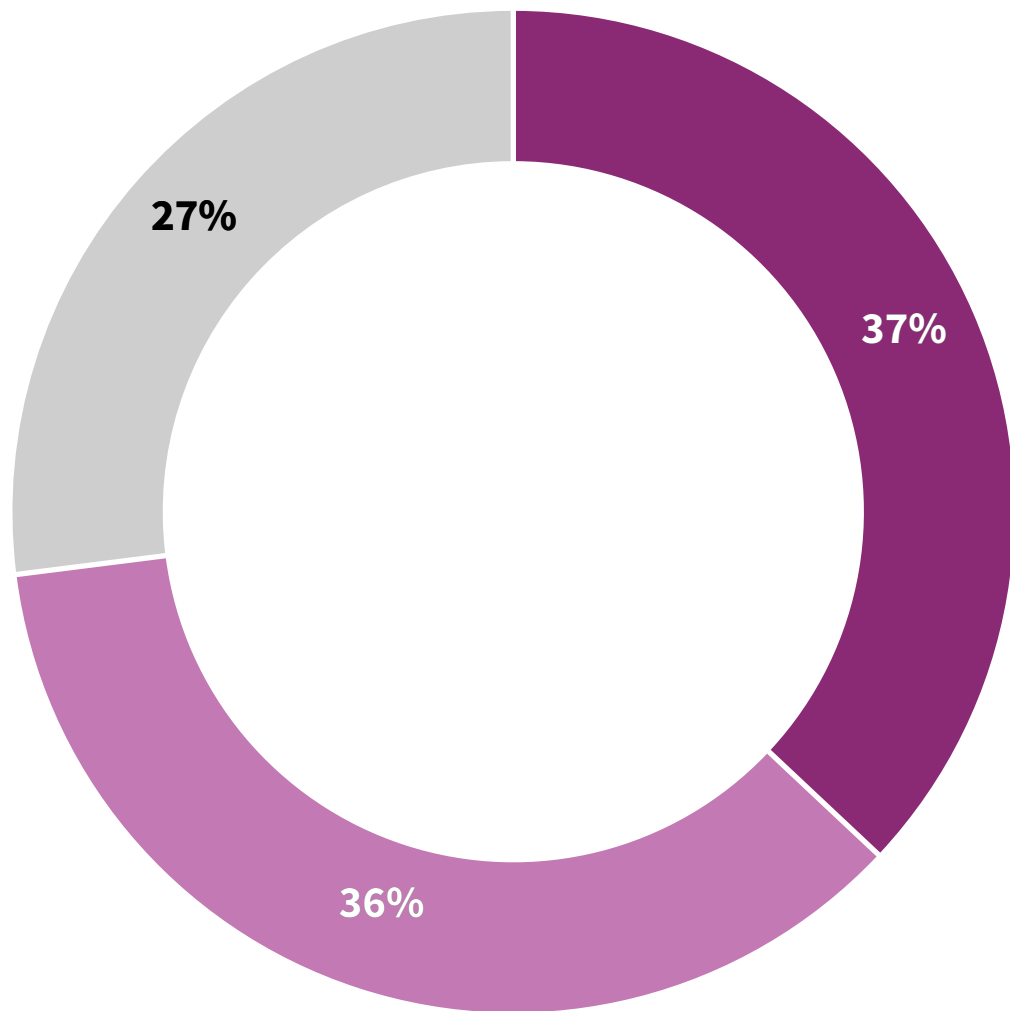
*numbers don't equal 100 due to rounding

☀️A Flourish chart

An overall bullish sentiment is illustrated here with 73 percent of security professionals considering the video analytics market to be good, very good or excellent, a 5 percentage point gain over last year. Twenty-seven percent consider it poor or fair, a 6 percentage point improvement from last year. // Source: *SDM* 2023 INDUSTRY FORECAST STUDY

"If these solutions work together then the entire system becomes much more efficient and this also improves the user experience," Mach explains. "Instead of having one person watching an entire wall of video screens, analytics can be used to identify issues and direct which things a security officer needs to pay attention to. The data proves that verifying alarms with video and analytics helps to decrease the number of false alarms compared to when video is just used on its own. This is a great example of how to use new functionalities to improve the system."

David Sweeney, general manager of Dover, Del.-based systems integrator Advantech, points to analytics at the edge and cloud as two of the largest market drivers this coming year.

"We are starting to see cloud becoming more mainstream, which is funny to say because we've been talking about cloud video for six years now," he says. "There have been several large acquisitions in the cloud space, and these acquisitions coupled with consumers being more comfortable with cloud will help make cloud more of a relevant offering for customers."

Lucas Ingala, owner of Watchmen Security Services, Kansas City, Mo., describes his integration firm as being on the frontlines of cloud-hosted solutions, adding value through API partners and analytics, among other technologies and services. The multiple dwelling unit (MDU) space and mixed-use retail are a particular focus for Watchmen, as well as retirement communities where HIPAA rules call for video systems to help meet security and safety requirements. And while new office space construction can be expected to slow, Ingala says existing buildings for this particular niche will be increasingly retrofitted to accommodate homebound workers' return to work.

"I just read a study about the [factors driving] people to come back to work after the pandemic. They want a focused place to work. They want to get their work done. They want a quiet space," Ingala says. "A lot of people think it has to do with collaboration, but that

actually wasn't a main driver. It was creating an environment for them to get their work done. Because at home there are a lot of distractions. So, Class A office, Class B will retrofit with door access and the video."

Nilsson references ongoing consolidation within the industry and opportunities around single and multi-vendor solutions as two major drivers for Axis and the industry in 2023.

"We know that technology is going to continue to develop quickly — whether that be cloud, analytics or cyber-related — which means we need to be ready with the right solutions to serve our partners and customers," he says.

Agility and the readiness to face whatever challenges lie ahead will be key to continued growth, Nilsson says. That also means providing partners and customers with modern tools to help them efficiently and securely manage their devices.

"Our primary goal is to be a long-term partner and trusted advisor who can offer the right solution, which is why we provide an open platform and offer the largest technology partner ecosystem in the industry," he adds.

Market Obstacles Aplenty

The security industry and its channel partners faced an assortment of obstacles in 2022, including supply chain issues, soaring inflation, massive spikes in energy prices, the lingering aftershocks of the pandemic, and severe labor shortages, among other headwinds. As they prepare for the coming year, what do security integrators and their manufacturing partners expect to contend with in the coming months?

According to the 2023 SDM Industry Forecast, the No. 1 anticipated challenge for 2023 remains supply chain issues, citied by 54 percent of respondents, followed by finding/retaining employees (46 percent) and controlling costs (36 percent). In a separate question, asking what factors would most impact sales in 2023, economic conditions topped the list for 44 percent of respondents. Those interviewed for this article largely agree with these assessments.

"The biggest challenge of 2023 will be sourcing components to provide high-end functions, such as AI, wide dynamic range [WDR] and high frame rate, while also managing price point," says Aaron Saks, senior technical marketing and training manager, Hanwha Techwin, Teaneck, N.J.

Recently, he adds, some chip makers have been banned, others have limited supply available, and still others are not keeping up with the latest generation of feature sets to power surveillance cameras. "If a chipset is too expensive, the camera is priced out of the market."

Like every industry, Nilsson says, the security ecosystem has faced supply chain challenges over the past few years and while improvement can be expected, the industry will need to work hard to navigate the backlog of installs throughout the first half of the year.

"Once we get through that challenge, we'll need to make sure that we're not only prepared for any future supply chain issues and geopolitical concerns, but that we remain focused on our end customers' increasing needs around sustainability, ethical standards and cybersecurity," Nilsson says. "We want to remain on the forefront of these initiatives — if our customers and partners aren't already informed about these initiatives, we must make sure to educate them, explain the importance and realize the benefits."

McMullen of 3XLOGIC also expects improvements in the supply chain and yet believes it will continue to be pressured in 2023. "The other major challenges are financial, with global inflation not improving in the near term and global currency exchange rate fluctuations being impossible to predict," he adds. "The cost of components continues to outpace productivity initiatives, which is putting additional pricing pressure on the market."

Mach of Pro-Tech Design further details why she believes ongoing supply chain issues will linger, with other potential headwinds. "This is going to be the new normal for a while. The war in Ukraine and the sanctions, along with the strained relationship between China and the U.S., will continue to put pressure on the supply chain," she says. "And then there is also the uncertainty about the economy. Everyone wants to know, are we going to have a recession or not? How deep will it be and will it last? I tend to be optimistic and I expect a recession will likely be for a short duration but it could negatively impact all of us."

Video Surveillance Systems Still the Most Commonly Offered Security Product

SDM asked, "Which products and services do you currently offer or plan on offering?"
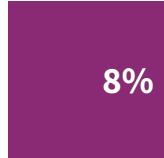
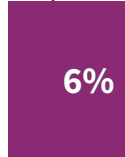Currently offer/sell/install video surveillance systems

Plan on offering them in the next 1-2 years

13%

Plan on offering them in the next 3-5 years

8%

No plans to offer video surveillance

6%

✸A Flourish chart

Video surveillance systems are still the top most commonly offered security product or service, with 73 percent of professionals currently offering, though a decline of 12 percentage points from last year's study. Another 13 percent plan to offer video in the next one to two years; 8 percent plan to offer it in the next three to five years, and just 6 percent don't plan to offer video at all. // Source: *SDM* 2023 INDUSTRY FORECAST STUDY

If anything, says Sweeney of Advantech, the past 12 to 18 months have made his customers more open to diversification of manufacturers, which is ultimately what integrators have spent 20 percent of their time doing.

"We want to install this system, but we can't get camera X but we can get camera Y. Five years ago a customer would say we are standardized on X across the enterprise and they only wanted product X," he explains. "Over the past 18 months, ender users have become open to evaluating alternative manufacturers sheerly due to supply chain challenges. I think we're going to see a dog fight for the customer as the supply chain issue returns to normal."

Challa of Salient Systems turns his gaze to the financial markets when considering potential marketplace trials in 2023. "It will be a little bit more challenging getting the venture capital dollars at the same rate as the industry has seen in the past, especially with some of the M&A activity that's been happening recently," he says. "Investment money is a little bit tighter and people are a little more conservative. That impacts the analytics players more than anyone, since they're more on the bleeding edge and mostly rely on venture-backed technology development."

Challa is also keeping watch on the transformation of the video surveillance market as many solutions move away from being a video-centric platform to more of a data-centric one. "Certainly, there's excitement and growth when it comes to analytics on cameras, servers and the cloud, but a lot of it is still in the early stage and won't be highly profitable yet. Much of their success will depend upon funding and access to capital."

For Palmquist of Milestone, the top market challenge will be uncertainty around interest rates and inflation and how those elements will impact the security industry.

"Some organizations are proactively trimming their cost budgets as they prepare for the New Year," he says. "While historically that doesn't always impact the security elements of those budgets, it is a factor that may curtail growth in the coming year. Security usually doesn't get caught up in cost cutting, but we don't know for certain so it is something we should watch out for."

As surveillance hardware has become mature and standardized, platform and service will be critical in how a dealer or integrator partner chooses their supplier, says Choate of Snap One.

"As more advanced features become common, partners will have to fully understand their options to determine the differences and balance value versus features," he says.

The consumer value, Choate says, will continue to shift to, "How do I access my video system?" and, "How useful is the video system as it pertains to informing me of useful events?

"Consumers place a high value in visual evidence, but they want it to be on the device of their choice, at the time of their choosing, and the event needs to be relevant," he says.

At the enterprise level, adding cameras with greater resolution is important, but integrators and end users alike must be careful not to overdo it, cautions Genetec's Villeneuve. "As we move toward hybrid architectures, it will be important to leverage existing investments in edge devices without overloading the security and IT infrastructure," he says.

One of the challenges, Villeneuve says, will be to carefully design solutions that optimize bandwidth, get the maximum out of security appliances, and don't compromise privacy. "It will be very important that we guide customers in choosing the right sensors, installing them properly and implementing smart VMS capabilities to bring it all together."

> *"Consumers place a high value in visual evidence, but they want it to be on the device of their choice, at the time of their choosing, and the event needs to be relevant."*
> *— CLINT CHOATE, Snap One*

John Nemerofsky, COO of SAGE Integration, Kent, Ohio, identifies how integrators deploy cloud-based systems cost effectively as a burgeoning challenge to be examined and addressed accordingly. He explains that any integrator deploying large numbers of cameras is first conducting some type of offsite staging of the devices and system. In the cloud, as you start to stage the cameras and plug them into the network, manufacturers begin billing for each connection.

"So, I haven't installed it at the customer site yet. It's still in my warehouse or other staging area," Nemerofsky says. "I may plug in 100 cameras to make sure they're working — I changed the password, I put in the IP address, the MAC address — before I deploy. Then technicians get to the site all they have to do is plug in that Cat6A cable and we're up and running."

From the time of the staging to the actual installation in some cases may be a month or more. "I paid $5.97 per camera for that month, so I paid almost $600 to the manufacturer before I deployed the camera," he continues. "So you talk about how do we solve this other than writing a note to suppliers or hosted video providers and explain we were testing, we didn't install anything yet. You have to build that formal pay program, because no credible integrator is going to just ship boxes to a site and plug in everything."

Haught of ASI and AST cites marketplace challenges similar to his industry brethren interviewed for this report. And like his fellow industry professionals, these difficulties — whether current or looming — are expressed as caveats to an otherwise unquestionable optimism.

"It is really an exciting time. I think 2023 is going to be a banner year for video, but it is not going to be for the faint of heart. If you are just selling a camera, you're doing a huge disservice to the customer and, frankly, to yourself," he says. "It is going to be successful for the people who are educated in the products, educate their customers on the products and understand exactly what the customer need is."

KEYWORDS: security cameras security dealers security integrator security integrators system integrators video surveillance VMS

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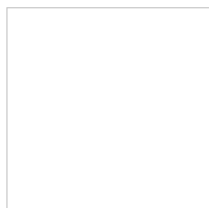
Rodney Bosch joined the *SDM* editorial team in May 2022. He has been covering all facets of the electronic security industry as a trade journalist since 2006. As *SDM* Senior Editor, Bosch writes exclusive cover stories, such as *SDM*'s State of the Market series, as well as other feature-length articles. He also heads up the news section for both the emagazine and the website; and manages the annual Monitoring Today and Video Monitoring Today supplements.