

Australian Security Market Review 2017



Insights, trends & impacts

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About

Insights, trends & impacts

Based on a detailed survey of leaders from across the security industry, the Australian Security Market Review 2017 presents a snapshot of the security products market today, plus insights and observations on future direction and trends.

We are pleased to offer this report exclusively for attendees and exhibitors of the Security Exhibition & Conference 2017.



The Security Exhibition & Conference is the industry's annual opportunity to reunite for three days of unrivalled networking and learning, alongside a showcase of the most innovative solutions in the Australian market.

Established for over three decades, it is the country's largest commercial event for the security industry. It connects the entire supply chain of manufacturers, distributors, security professionals and end users to create valuable business opportunities.

The event is staged by Diversified Communications Australia.



Diversified Communications Australia is a dynamic communications company with a portfolio of more than 11 premium industry-specific trade events, delivered by a team of over 60 staff.

Diversified Communications is a third-generation family-owned company with local roots and global reach. Our teams are strategically located around the world to provide market access, resources, services and education to the business communities in the industry sectors we serve. We have divisions located in the United States, Australia, Canada, Hong Kong, Singapore and the UK.

Diversified events combine traditional media, face-to-face, digital communications, social media and word-of-mouth to create powerful platforms for brands and memorable experiences for guests.



Explori conducted this research on behalf of Diversified Communications Australia. In May-June 2017 it surveyed 26 companies exhibiting at the Security Exhibition & Conference 2017.

Founded in 2011, Explori has become the event industry's biggest repository of benchmarking data and insight with over two million responses across 1,600+ shows and conferences.

They serve exhibition organisers in every market in the world and their clients include the biggest global event organisers.

Executive summary

Opportunity? Disruption? Or both?

An overriding theme of the Australian Security Market Review 2017 has been one of ‘nervous anticipation’ regarding the future of the industry. While most expect to see strong overall growth and many new opportunities – driven largely by technology – many also foresee increased competition and price pressure.

As we have seen it do with many other industries over the past decade, the internet is increasingly disrupting the security sector. 50% of businesses today offer traditional access control, building management, CCTV or surveillance solutions as part of their product mix, however most industry growth is expected to come from new connected technologies.

The vast majority of respondents expect the Internet of Things, IP, cloud solutions, big data and mobile technologies to have the greatest impact on the industry in the years ahead. As a result, Cyber & Information Security solutions expected to be the fastest growing.

Diversified Communications invited John Fleming, General Manager of the Australian Security Industry Association Ltd (ASIAL) to share his views on the findings:

“The trends identified in this survey confirm the move from analogue to digital services. For security companies to profit they need to be able to understand IP networks and have a vision for what new products and services they will offer.

The Internet of Things is predicted to grow over the next decade to \$40 billion. The challenge will be how to show the customer the value of the data and potential business efficiencies. Education and training will be vital to be able to deliver these services in a secure environment.

The world is getting more complex and volatile; demand for security services will continue to strengthen.”

In this report we explore the insights, trends and impacts to help you navigate the new world of security.

Security in the spotlight

54%

Of respondents had **fewer than 25 employees**, 20% have 200+



15%

Annual growth in **Cyber & Information Security** expected



73%

Say **IP & The Cloud** will have a significant impact in next 3 years



96%

Predict big things for **Internet of Things**



58%

Unsure about the impact of **Big Data & Analytics**



“The cloud is a double edge sword, offering flexibility and ease of access to data whilst causing significant concerns about safety of data.

IP is now the norm. Everything can, and in many cases will, be connected.”

Respondent, 2017

“I see a rise in new technologies giving customers a variety of options to choose from.”

“...higher demand for products, but more suppliers in competition.”

Respondent, 2017

Respondents

Insights from industry leaders

This research collates findings from a diverse cross-section of commercial operators within the Australian security industry. It presents data, opinions and insights from businesses spanning the full range of products, services and technologies.

While there is no way to describe a ‘typical’ security business, the average size of the businesses in this sample had 135 employees and turned over \$23 million per year.

Having said that, there were a wide range of businesses surveyed with 39% having teams of less than 10 and 20% employing over 200 people. However, annual turnover figures were spread very evenly across the sample, suggesting that many smaller operations are punching above their weight when it comes to revenue.

As the customer type graph shows, the top three customer types for our respondents were installers, integrators and end users / corporate.

By far the most prevalent products and services offered were Access Control & Building Management and CCTV / Surveillance. These solutions were each offered by 50% of respondents, closely followed by Alarms & Perimeter Protection solutions (39%). While these three product types accounted for over half the annual turnover of our sample, it is also interesting to note that they also presented the lowest growth potential as we’ll see in the demand and trend findings to follow.

The graph to the right shows a very wide range of offerings, with most respondents supplying solutions in more than one area.

54%

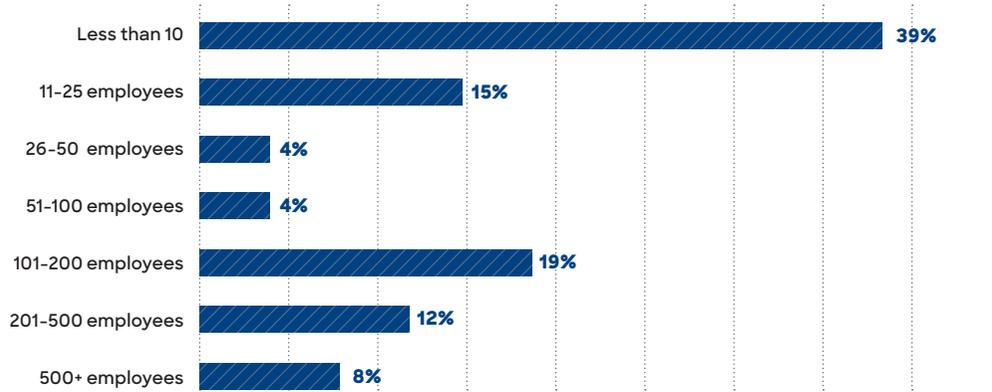
Of respondents had fewer than 25 employees, 20% have 200+

How would you describe the products/services your organisation provides?



Number of employees

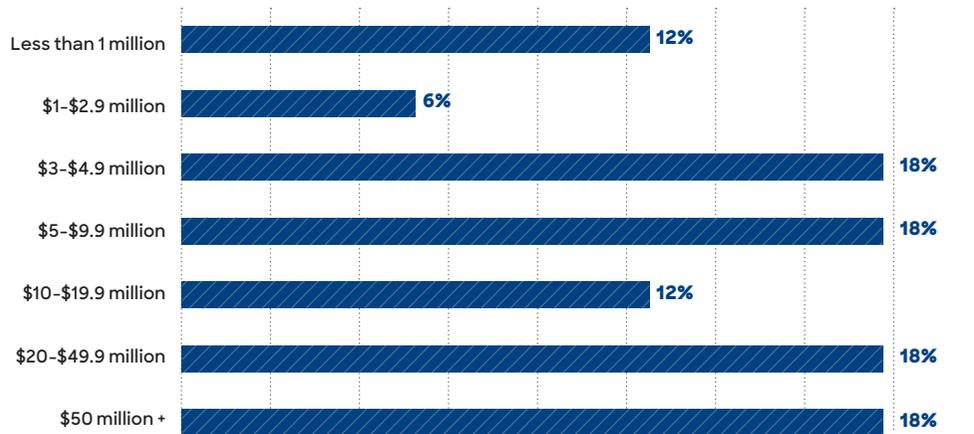
How many employees work for your organisation?



Average size of company: 135 employees

Annual turnover

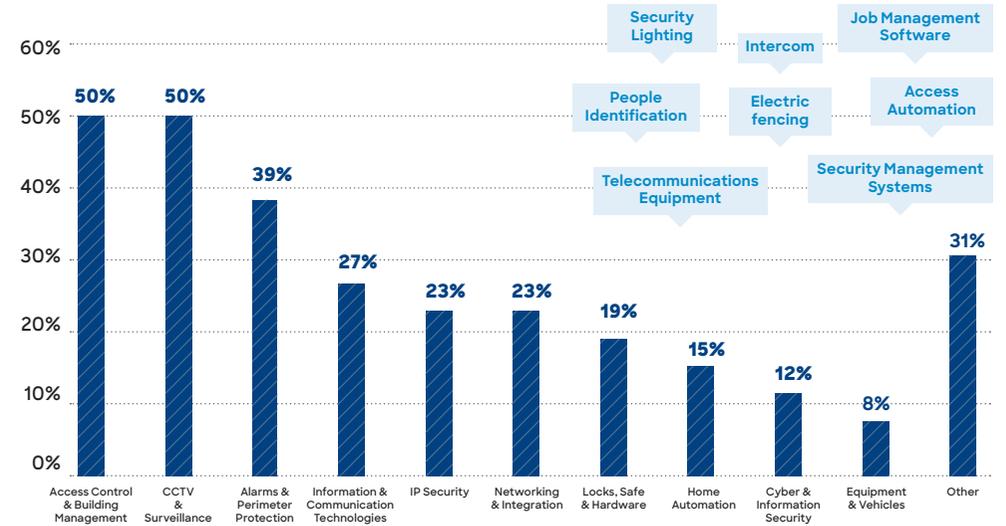
What is your organisation's annual turnover? In AU\$



Average annual turnover: 23m

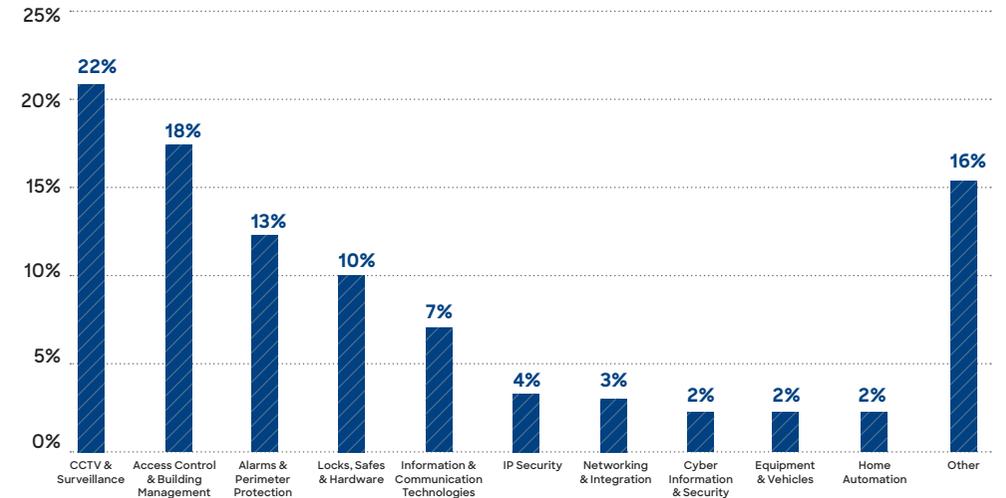
Product areas

Which of the following product areas does your company operate in?



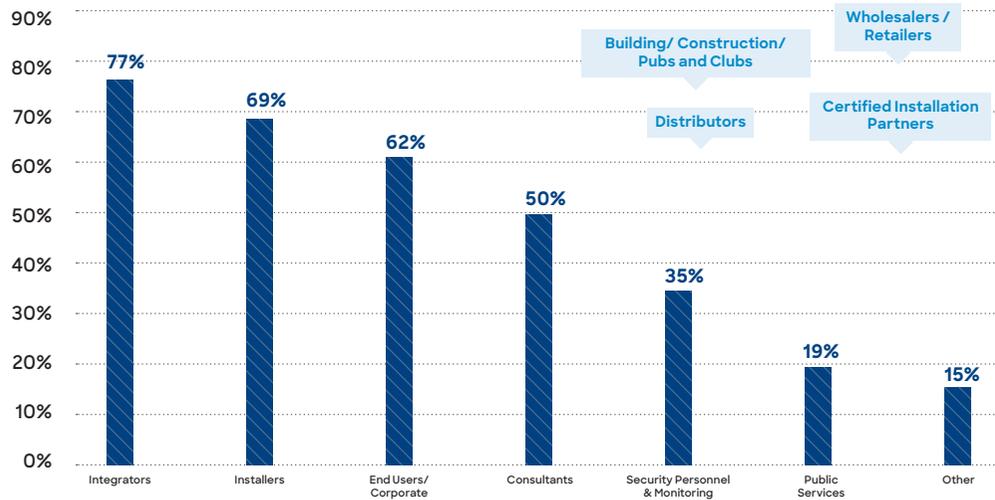
% of annual turnover by product area

Roughly what percentage of your organisation's total annual turnover comes from each of these product areas?



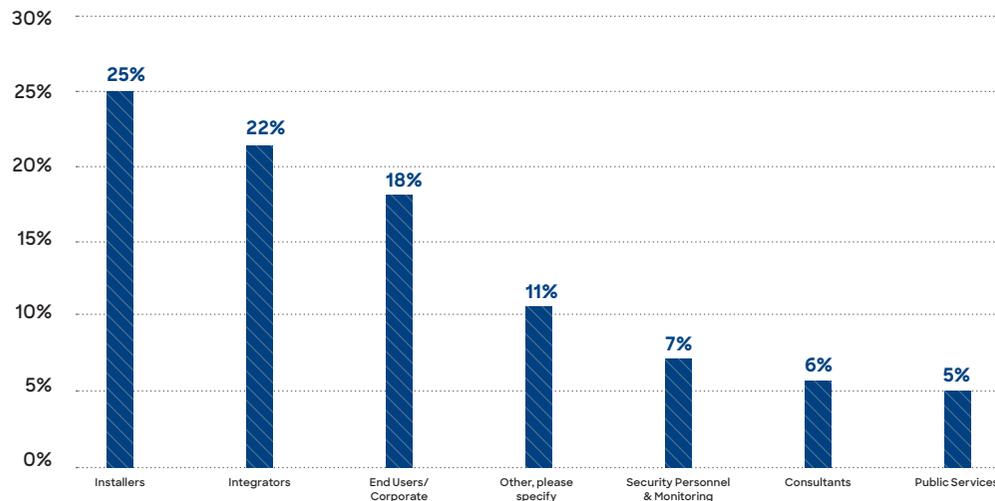
Customer type

Which of the following are your organisations' customers?



% of sales by customer type

And roughly what percentage of your sales come from each of these customer groups?



“People want to be able to connect into their homes / businesses to remotely check on their cameras and systems.”

Respondent, 2017

Demand

Emerging technology drives growth

While the findings show that traditional surveillance and security control services are still the cash cows – for now – future growth will come from connected technologies.

The increasing threat and high-profile publicity around hacking, data breaches and privacy concerns has helped boost demand for Cyber & Information Security solutions. With a 15% growth rate reported over the past year and another 15% growth expected in the year ahead, growth in this area is not expected to slow down any time soon.

Similarly, Information & Communications Technologies and IP Security solutions are both on a strong growth trajectory. It is worth noting however, that these three high growth areas currently only account for 13%

of annual turnover by product, so will not yet lead to dramatic industry-wide changes.

Home Automation is also expected to grow at 10%. However, while it gets a lot of consumer hype and media attention, it still only accounts for 2% of turnover across the product mix.

Other niche offerings like biometrics, facial recognition and virtual patrols were also flagged as potential future growth opportunities.

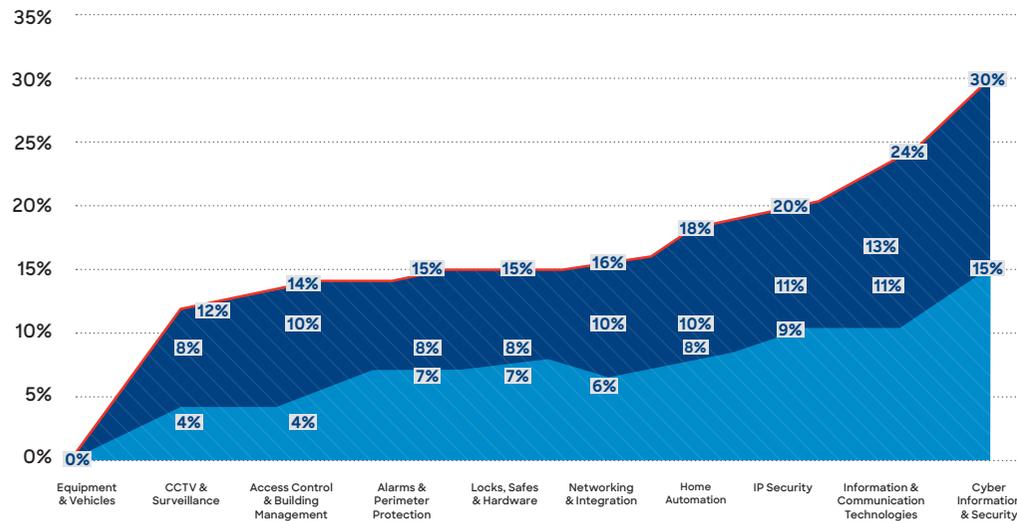
15%

Annual growth in **Cyber & Information Security** expected

Product demand (previous 12 months vs. future 12 months)

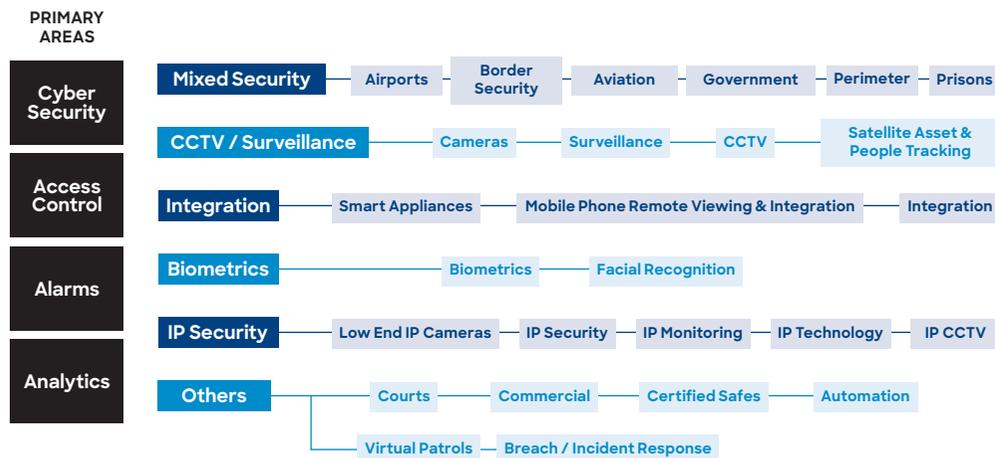
How has the demand for your products changed over the previous 12 months? Vs How do you expect the demand for your products to change over the next 12 months?

■ Previous 12 month change
 ■ Future 12 month change
 ■ Total anticipated 24 month change



Security areas growing the most

Which areas of the security market do you see as growing the most right now?



“IP devices are getting better in quality for less cost, and so it is increasing demand. The cloud allows for remote access and services, anywhere in the world.”

Respondent, 2017

Trends

Security forecast: fine but cloudy

When weighing up the new opportunities against the threats and challenges, we sensed mixed feelings about the new world of security. When it comes to pinpointing specific security trends things start to get cloudy, quite literally.

These opinions are supported by the findings in the following section where 96% of respondents predicted that IP & The Cloud would impact the industry in the next three years, and 73% expect that it will be a significant impact.

Cloud-based, internet enabled solutions are permeating all aspects of the industry - from the threat of malware spread via internet viruses through to virtual patrols, online video surveillance and remote mobile management solutions.

For the next 12 months the key trends anticipated are the increasing proliferation of internet-connected devices (Internet of Things), growing demand for cyber security

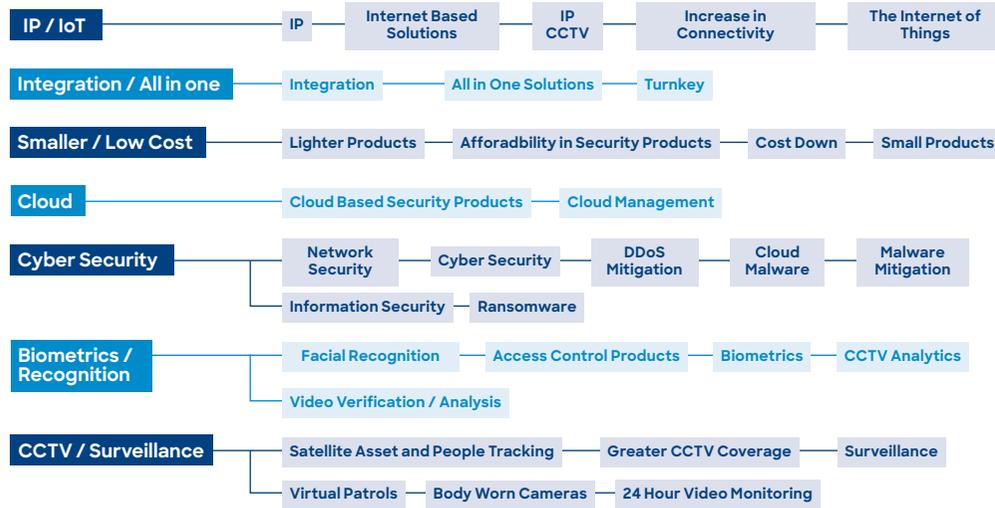
offerings and advances in biometric technologies like facial recognition and video verification. There is also an expectation that hardware will become lighter, smaller and more affordable, as will wearable security devices.

When we asked respondents to look three years into the future, most picture a market that is larger than today overall, but with products more and more integrated by connected technologies. While this will lead to more choice for consumers, there is also a feeling that new entrants will increase competition and potentially lower prices - which sounds like a win for customers, and a challenge for security providers.

73% Say IP & The Cloud will have a significant impact in next 3 years

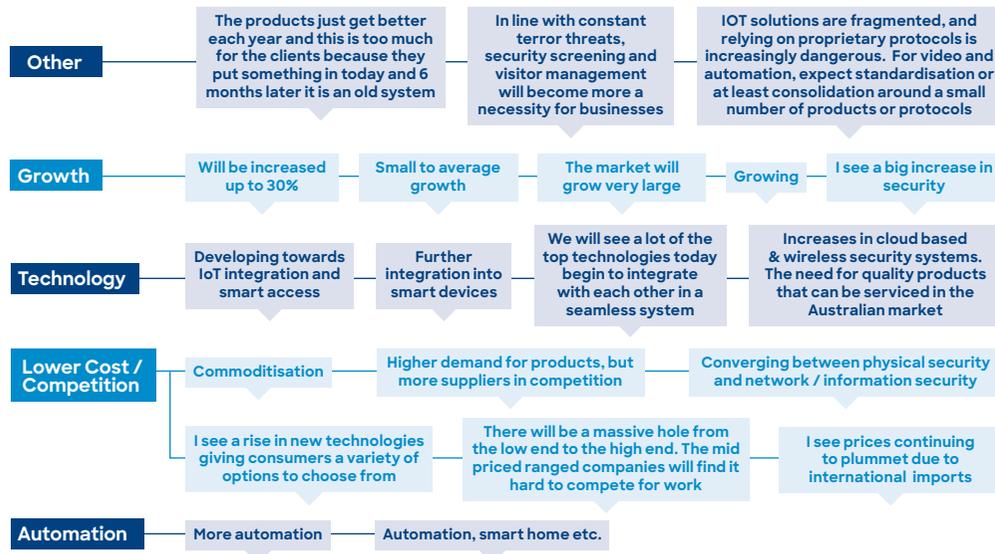
Important trends over the next 12 months

What will be the most important trends in the security sector over the next 12 months?



Development of market over the next 3 years

How do you see the market for security products developing in the next 3 years?



“Cameras, beacons, smart devices: the cost of these things is falling and the range of what we can do is expanding. Cameras and IP-connected security costs have dramatically fallen.”

Respondent, 2017

Industry impacts

The internet leads the charge for change

In this section we explore the factors likely to have the biggest impact industry-wide in the next three years. Not surprisingly, the results aligned with the demand and trend findings with most respondents citing the internet as having the most profound impact.

The Internet of Things (96%) and Growth of IP & The Cloud (96%) were seen as having the greatest impact on the industry. Not far behind were Mobile Technology (92%) and Big Data (85%).

On the other hand, more established solutions such as Access Control and Video Monitoring were expected to be less influential in changing the market. This is typical of a product at a mature stage of their product cycle.

Home automation – both for managing systems and security – was again raised by respondents which would suggest that, while it is not yet mainstream, it is starting to come onto the radar of industry and consumers.

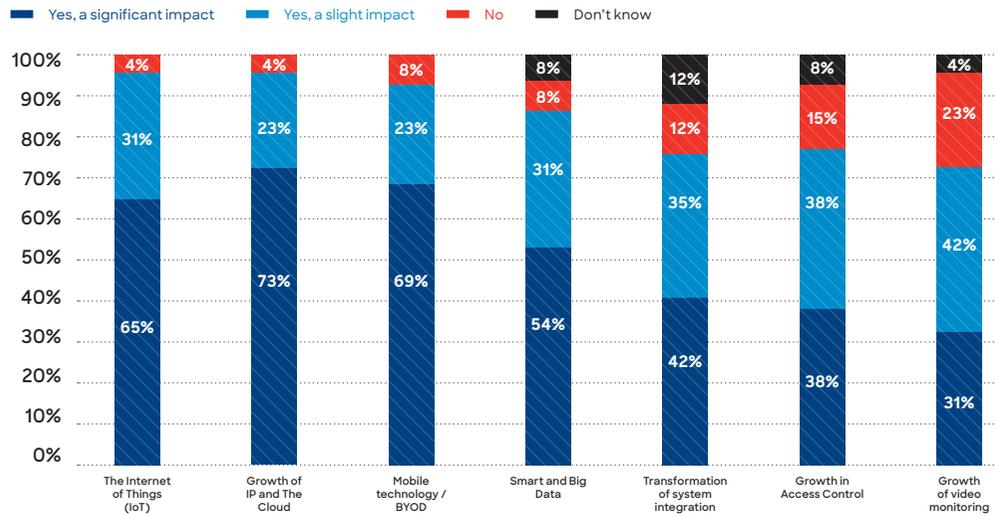
The following charts break down the impact of each key factor and include more detailed responses.

96%

Predict big things for **Internet of Things**

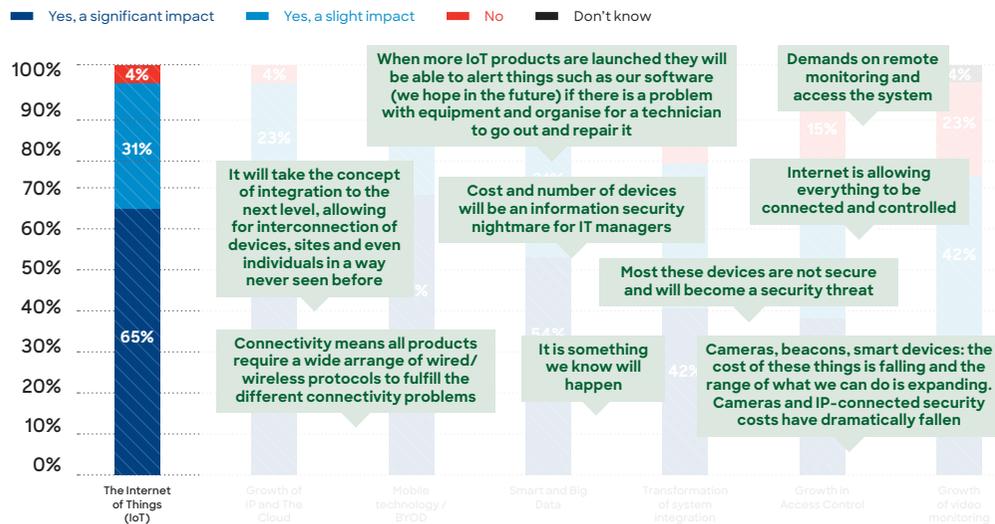
Factors impacting the industry over the next 3 years

Do you see the following as having a big impact on the industry over the next 3 years?



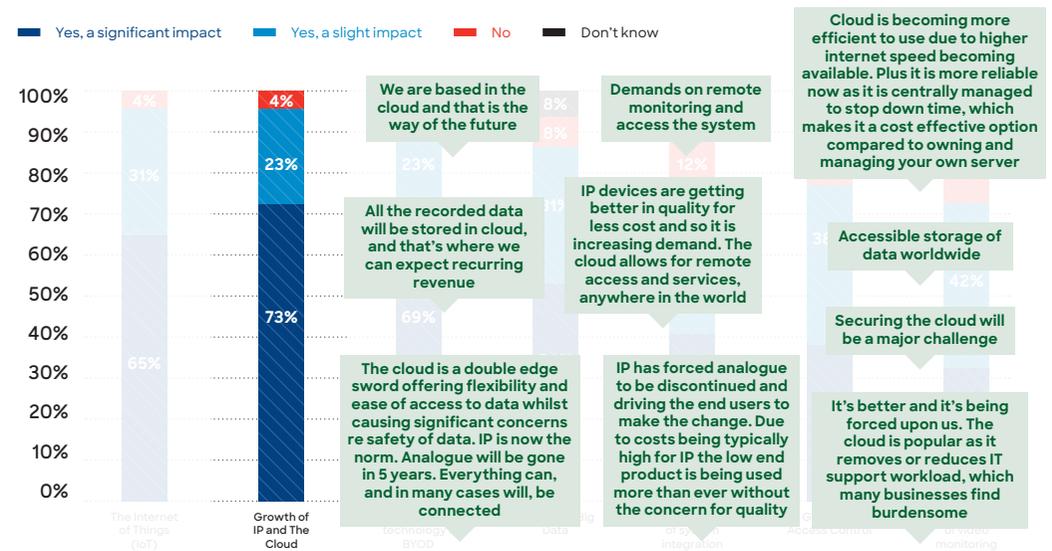
Internet of things

Please provide further details on how the Internet of Things (IoT) is impacting the industry



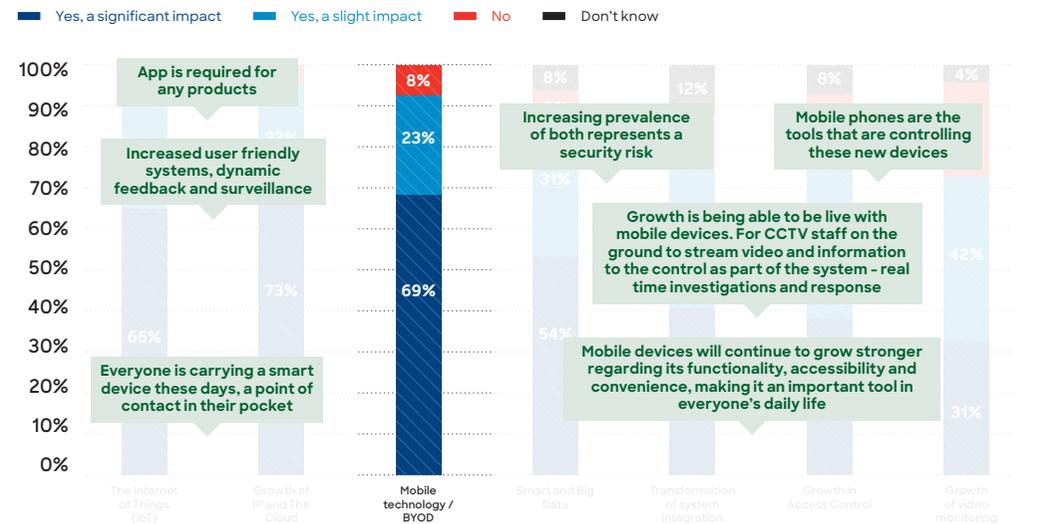
Growth of IP and the cloud

Please provide further details on how the growth of IP and the cloud is impacting the industry



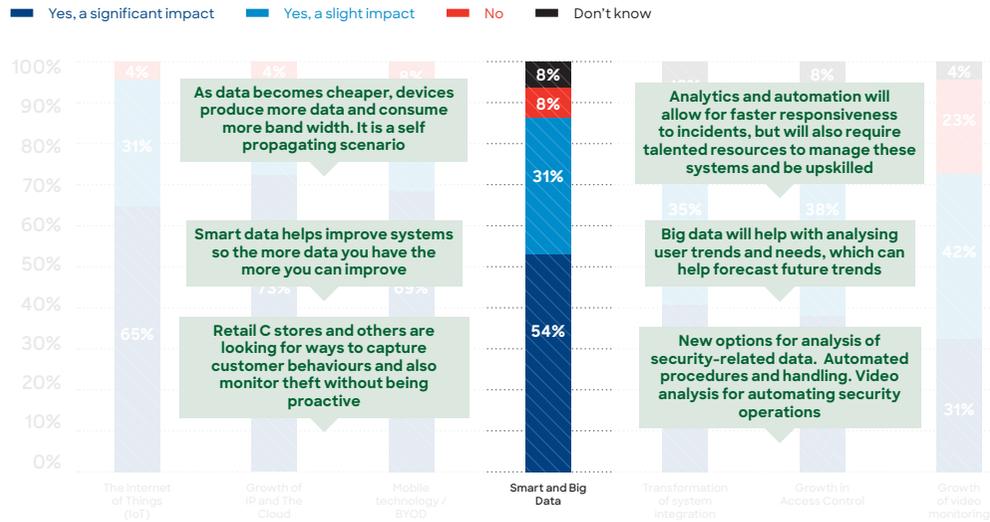
Mobile Technology

Please provide further details on how mobile technology / BYOD is impacting the industry



Smart and Big Data

Please provide further details on how Smart and Big Data is impacting the industry



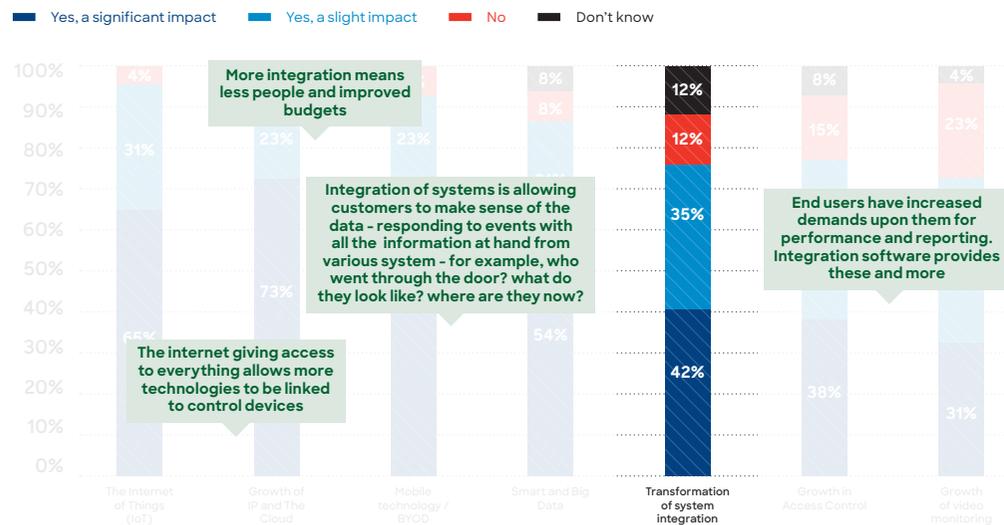
Access Control

Please provide further details on how the growth in access control is impacting the industry



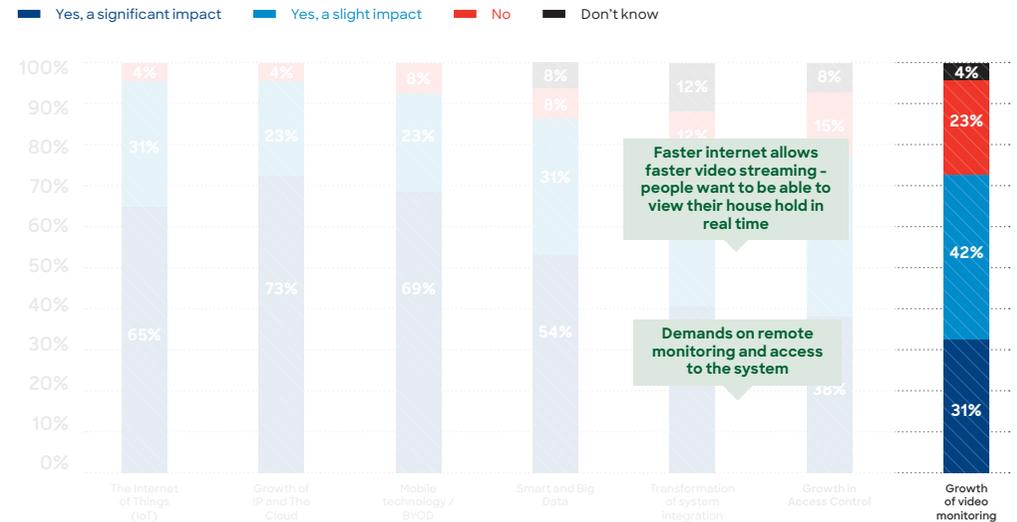
Transformation of system integration

Please provide further details on how the transformation of system integration is impacting the industry



Video Monitoring

Please provide further details on how the growth in video monitoring is impacting the industry





“Analytics and automation will allow for faster responsiveness to incidents, but will also require talented resources to manage these systems and be upskilled.”

Respondent, 2017



Security impacts

The new world of security has arrived

When assessing the impacts of Big Data & Analytics, Surveillance Data, Cloud Storage and Home Automation respondents had divided views. However, one thing they could agree on was the potential for serious security risks.

Almost half (46%) of those questioned expect the adoption of Surveillance Data Analytics to increase over the next 12 months, and the same number felt that Cloud Storage is changing the way this data is stored.

Big Data & Analytics was less understood by respondents with a majority (58%) unsure of its impact on the information collected by physical security and surveillance.

It was clear from the comments that there is a lot of concern for data security around these solutions: “Increased analytics will result in more data and better surveillance, but it will need to be better secured on an IP level”, “the cloud makes is easier to hack

and less reliable” and “...[the cloud offers] cheap, resilient storage that’s a nightmare to secure”.

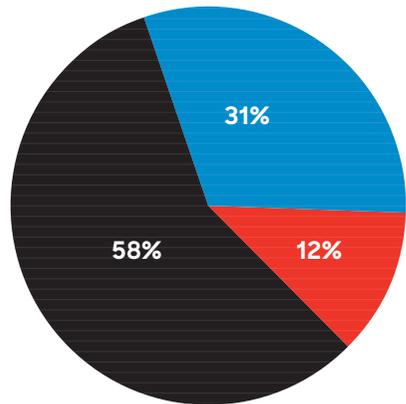
While it’s an area tipped to grow 10% in the year ahead, only 35% of respondents felt that Home Automation was impacting the security industry, with 65% unconvinced. The short-term impact is likely to be minimal given that it accounts for just 2% of turnover of the sample. There were also security concerns: “People want it, but don’t understand the risks inherent with putting home automation systems on the Internet.”

58%

Unsure about the impact of **Big Data & Analytics**

Advancement of big data and analytics

Is the advancement of big data and analytics affecting the information collected by physical security and surveillance? If yes, how?



■ Don't know ■ Yes ■ No

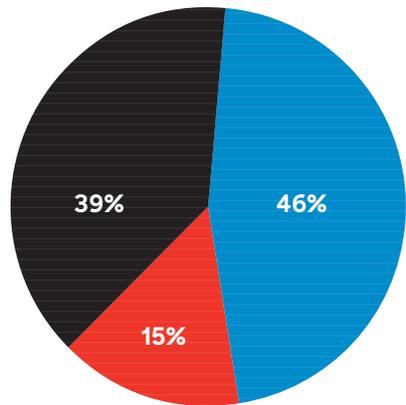
We are able to record more as we do not know when something is going to happen and then have the ability to use smart technology to find the key images required in very large databases

Increased analytics will result in more data collected and better surveillance - but it will need to be better secured on an IP level

The more you have, the more you can analyse it

Adoption of surveillance data analytics

Do you expect the adoption of surveillance data analytics to increase over the next 12 months? If yes, how?



■ Don't know ■ Yes ■ No

As it becomes cheaper it will be offered as standard by CCTV manufacturers looking to have a point of difference

CCTV & surveillance data is all around us, it just needs the analytics & use of the information to catch up

Storage requirements

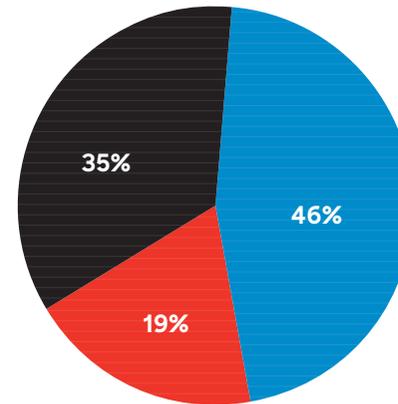
Accuracy levels of analytics is greatly improving so it can be used more and more on existing systems

Analytics are available free of charge in many low cost products now

Intelligence in video analytics will help grow the security market

Cloud storage

Is cloud storage changing the way organisations are storing surveillance data? If yes, how?



■ Don't know ■ Yes ■ No

Accessible data worldwide

No need for expensive local storage

Storing higher quality images and more data for longer

The need for costly on site storage is removed

Cheap resilient storage that's a nightmare to secure

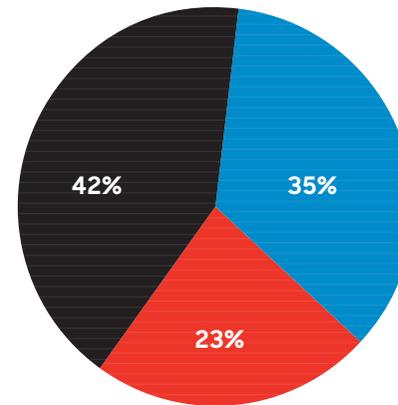
Yes, they are in the cloud which makes it easier to hack and less reliable

It gives people affordable options

The IT Managers for companies have to be on top of this

Home automation

Do you think that home automation is affecting the security industry? If yes, how?



■ Don't know ■ Yes ■ No

Growing significantly with DIY kits that are very cost effective for the residential market, pricing professional installers out of the market

Mobile video monitoring on your house - the need for alarm companies to monitor a house is slowly diminishing - they need to find value adds

Cheaper prices

People want fully integrated and communicative homes / businesses. We are a 'travelling society' and more people need to be able to work & live remotely but connected when needed

People want it but don't understand the risks inherent with putting home automation systems onto the internet

People want to be able to control their whole home from their device, not just letting people through the door



Your move

Standing still is going backwards

While any period of disruptive change brings discomfort and challenges in the short term, it also offers sustainable opportunities for companies willing to make the move when the time is right.

It is clear from the trends and impact findings that technology is driving innovation at an accelerating pace across all aspects of security hardware, software and services. Furthermore, the outlook for the coming years is positive with most expecting the security sector to grow as a whole.

While this creates new opportunities for all players in the industry, most also foresee new entrants to the market, more innovative solutions and more competitive pricing.

Traditional solutions will still deliver the bulk of the revenue for the foreseeable future, which means established players will have a head start. However, to capture new and long-term growth, it will be important to invest a portion of this dividend into the development of emerging technologies.

With IP & The Cloud expected to impact the industry significantly, it will be critical to integrate the internet as a central component of every product and service organisation-wide. This will position businesses to leverage the power of connected technologies as they are released.

Finally, investing in continuous education, research and development, and attracting the most talented people will be more important than ever.

It's a dynamic and exciting time to be part of the security industry. Those willing to embrace the change will reap the most rewards as the new markets open up.



Security Exhibition & Conference

Innovative education and solutions for new times

Through the Security Exhibition & Conference, Diversified Communications delivers relevant and timely products and information to meet the industry's evolving needs.

As this report shows, demand for digital security is growing. In response, we continue to introduce new elements to the event covering innovative and practical cyber security solutions.

We are seeing a big push to improve skills, technology and solutions in the area of fully integrated homes, managed via our smart devices. We're also tracking the increased threats and benefits of unmanned aerial vehicles (UAV) for businesses and security, and will introduce new products and content on the deployment of drones and related privacy issues. The growth in our industry and future trends will prove to be exciting times.

Working closely with our exhibitors, partners and delegates, we will continue to deliver an exhibition that showcases the latest innovations and technology to meet our visitors' needs.

Melissa Clendinen
Event Manager

Security Exhibition & Conference
Diversified Communications

Contact

Let's connect

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For more information about the event and to get in touch, head to securityexpo.com.au or email us securityexpo@divcom.net.au

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To learn more and to connect with us, please visit divcom.net.au