

Securing New Ground™

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THE BUSINESS OF SECURITY



Happy 2007!

Best wishes for a healthy, happy and prosperous new year.

If you missed Securing New Ground 2006, here are some of the highlights:

“Two trends—technology and demographics—have come together to bring about the most dramatic trend in residential security since the invention of the digital dialer. That change is end user demand for...”

Ron Rothman, president, Honeywell Security and Custom Electronics

[Read more comments from executives at industry powerhouses Honeywell Security, Securitas Security Systems and HID Global](#)



“There is ever increasing demand for security, driven by expanding populations, globalization, falling trade barriers and a growing middle class. Governments alone can’t handle this demand, which is creating opportunities for...”

[Read more of Brink’s President, Chairman, and CEO Michael Dan’s keynote address](#)



“Spending millions on video storage in hopes of retrieving images from a single event now and again makes its ROI suspect. The goal of video in the 21st century is to advance video analytics so it provides...”

Craig Chambers, president and CEO, Cernium

[Read more about changes, challenges, and opportunities in the video market described by Cernium, Verint, Pelco and FLIR executives](#)

“As spending on physical and logical security approaches a quarter of a trillion dollars, U.S. businesses are asking what value they are getting for that investment. Although business value benchmarking is in its infancy, the new Security 500 report can serve as a useful starting point for providing that measurement. Five key findings from the first report include...”

[Read more of SDM/Security magazine publisher Mark McCourt’s presentation on this groundbreaking industry study](#)

“The two most significant changes we’ll see in the security industry between now and Securing New Ground 2007 are...”

[Read how 2006 conference speakers answered this critical question](#)

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View from the Top: Industry Leaders on the Future of the Market

This panel discussion has been a favorite with Securing New Ground attendees for years. In introducing the 2006 panel members, Lehman Brothers Senior Vice President and Senior Analyst Jeff Kessler noted that “These companies have the mega-trends behind them and move the meter for everyone in the security industry.”



Ron Rothman, president, Honeywell Security and Custom Electronics, said that the most important change in the residential security market in 25 years is demand for security systems that enable end users to pick their own content. “About 20 percent of consumers today don’t have landline phones,” said Rothman, “and people of all ages and incomes are technologically savvy. As a result, end users expect more from their security dealer than traditional fire, panic, and burglary from a control panel.” Meeting this demand will determine the winners and losers among dealers and integrators. “Business valuations will be impacted by what dealers choose to do with end-to-end, multi-path technologies such as SMS on cell phones and PC or smart phone remote systems control,” he concluded.

Rolf Norberg, CTO, Securitas Security Systems, stated that, every year, the company discovers that the security market is bigger than it thought. “That means there’s more business for us to fight for,” he noted. To get more business, Systems focuses on customers, knowledge and growth. “We seek to build long-term partnerships with our commercial and high-end security customers,” he said. “IT knowledge and IT-knowledgeable people are critical to our ability to deliver customer solutions based on technology and systems integration. The key to growth is selecting high-growth verticals and having people devoted to understanding and serving those markets. You cannot be a generalist.” Norberg stated that video surveillance and integrated information systems and software are strong industry growth segments while traditional fire and intrusion are slow growers.



Denis Hébert, president and CEO, HID Global, described trends, opportunities and challenges for the security industry in 2007. “The influence of the IT community will continue to grow,” he said. “Manufacturers must respond to IT’s expectations for open standards and plug and play devices, especially given IT’s control of purchasing budgets today. The IT world is used to commodization while our industry has focused on providing value-added solutions.” Hébert expects increased influence of government standards such as HSPD-12 on the commercial market. “We also must be sensitive to privacy concerns as more information is carried on credentials,” he continued. “Our industry has a role to play, but we have to accept that these changes are happening and adapt our business models to it. We have to evolve.”

“We cannot afford to fail in this dangerous world”

For the second time in the 11-year history of Securing New Ground, Michael T. Dan of Brink's gave the keynote address. In 1995, Dan was president of Brink's Inc., the company's armored car operating unit. He now is chairman, president and CEO of The Brink's Company (NYSE: BCO), which includes the armored car and home security businesses.

In introducing Dan to the packed ballroom at the Roosevelt Hotel in mid-town Manhattan, Lehman Brothers senior vice president and senior analyst, Jeff Kessler, described Brink's as the most tightly run ship in the residential alarm industry. Its brand is well-known worldwide and it is the standard in terms of attrition rates and platform integration. Brink's cash-in-transit and logistics business is the world leader.

“When I spoke here 10 years ago,” began Dan, “the audience wasn't this big and the opportunities weren't as exciting. There is ever increasing demand for security, driven by expanding populations, globalization, falling trade barriers and a growing middle class. Governments alone can't handle this demand, which creates opportunities for the security service and manufacturing segments. About 85 percent of the free world's physical assets are privately held. Although it's difficult to coordinate, cooperate and communicate with government to protect these assets without running



afoul of privacy laws, it's vital that our industry be involved in this effort.”

Dan said that it's also important for the industry to be mindful of what he calls its anchors. “I believe our industry is about peace of mind, safety, responsible application of innovation, cost-effective client solutions, quality products and ever-higher standards of conduct and ethics,” he asserted. “If there's a mistake, we must step up, admit it and fix it—because it's the right thing to do.”

Dan said that the opportunities and risks in cash logistics are higher today than ever and the business environment has changed dramatically. Financial institutions, the heaviest users, are highly regulated, with different regulations across the world

and consolidation is creating trillion-dollar companies. “Some countries have outsourced their central bank functions,” he said, “and the U.S. is just starting. Demands by the financial marketplace and retailers for technological solutions are increasing. We must continue to invest in technology, and have the systems in place to gain client confidence and finish the outsourcing transition to our industry.”

“A key takeaway for me from SNG 2006 is how convergence is creating the need for IT talent to move from the IT world to the security world. This was my first time and it was a great conference.”

*John Nemerofsky, President,
Total Search Solutions*

“The security industry,” concluded Dan, “must lead, educate and commit to the world that we accept the challenges of today and are preparing for those of tomorrow with uncompromising standards and investment. We cannot afford to fail in this dangerous world. Each of us needs to accept personal and professional responsibility for ensuring a successful future for our families, communities and nations.”

Share your ideas with us

What speakers or topics can we include in the 2007 conference program that will help your business succeed? Help us make Securing New Ground 2007 the best ever—and the most valuable to your business. E-mail your ideas to becky@sjandco.com. And thanks for your input.



Measuring ROI: Top 500 Security



As spending on physical and logical security approaches a quarter of a trillion dollars, U.S. businesses are asking what value they are getting for that investment. Mark McCourt, publisher of *SDM/Security* magazines, said that, although business value benchmarking is in its infancy, the new Security 500 report, which will be updated annually, can serve as a “useful starting point” for providing that measurement.

“The Security 500,” said McCourt, “reports on organizations that spend the most money on security and that get the most return on their spending. *Security Magazine* and its researchers strove to identify the enterprise-level leader for each organization’s secu-

rity programs and success. We focused on organizations that proactively buy security as their major risk mitigation strategy.”

Five key findings of the report include:

1. Four external drivers bring the security spending discussion past “if” to “how much.” In most organizations more than one of these drivers is in play: Assets, Brand, Compliance, People. These drivers form the report’s measurement system.

People are the #1 category that organizations protect and the #1 threat to organizational security. Coping with people risk usually involves hiring more people. Thirty-five percent of every security dollar is spent on guards.

2. Executive buy-in at the CEO and Board levels is key to higher security budgets. Lack of support relegates security to a compliance spending level.
3. Security functions within most organizations operate at either the Compliance, Risk Mitigation, or Business Alignment level. The trend is towards Alignment.
4. Public sector security spending focuses on protecting people; the private sector focuses on securing business resilience and revenue continuity.

5. Measuring cost/ROI is challenging in organizations where (1) security spending is incorporated into non-security budgets and not measured as a security expense, and/or (2) non-security titled executives are the most senior security executives.

“Shame on us if the CEO or CFO asks us the value of our department and roles. We cannot be seen as the people who focus on reacting to things. We should be viewed as solid business people who happen to have an expertise in security”

*Rob Holm
Director, Corporate Security
The Tribune Company*

Not surprisingly, the report identifies the U.S. Department of Homeland Security as the largest security buyer, with the clout to set standards for the way security is planned and implemented. The Security 500 also profiles five vertical markets with the largest number of security organizations: City and state governments, universities, gas and electric utilities and K-12 education.

McCourt closed by saying that the most successful security programs use measurement or benchmarking; communicate well, especially upwards; align with organizational goals; and connect security to the mitigation of the risk of specific events. “Measuring value begins with the event not occurring and extends to creating organizational value,” he stated.

Security 500 Methodology

Security Magazine and Quandt Analytics used available public and private resources and interviews to identify the industries and organizations facing significant risk and requiring aggressive risk mitigation strategies. The results are based on survey data and research and are not the result of receiving confidential or private information.

Resolve to Attend Securing New Ground 2007 November 13-14, 2007

Securing New Ground 2006 was the most well-attended ever, with 15 percent more attendees than any previous conference. Whether you're a regular at Securing New Ground, or have never attended before, make a resolution to be in New York City, November 13-14, 2007, for the 12th annual conference.

Interested in putting your company's name in front of the industry's most respected leaders and investors? Securing New Ground sponsorships

offer the best marketing opportunity in the security industry—and contribute to the value of the conference. For details, go to www.securingenewground.com.

Based on responses to the 2006 conference evaluation form (samples below), attending Securing New Ground 2007 will be a worthwhile investment of time and money and help you set new strategies—or validate existing ones—for business success.

SNG is the #1 conference where:

- Deals are done
- Information is gleaned
- Growth plans are developed

Attendee comments on the 2006 conference

"Great conference and introduction to the security industry. A few interesting ideas definitely resulted from the exposure."

Dan Pozen, equity research analyst, Wellington Management Company

"The venue was superb, the sessions informative and the topics were relevant and timely."

Carey Boethel, CPP, vice president, ESS, NetVersant Solutions

"It was a great investment of my time."

Barry Walker, CEO, CoVi Technologies

"Simply the best networking opportunity for the security executive."

Bill Bozeman, CEO, PSA Security Network

"In 20+ years I have never been at a security industry conference that had

"Securing New Ground is a 'tour de force' for the security industry."

Shawn Mullen, president, Protex Central, right, and Chairman Dennis Mullen

these types of industry leaders and decision makers, plus knowledgeable financial people, in one room."

Tom Verzuh, president, SCW Consulting

"Content and timeliness is next to none. A 'must attend' for anyone who wants to play in this sector."

Barry Katsof, chairman & CEO, Frisco Bay Division, Stanley Works



"This is the best networking event for a new entrant in the industry."

Alessandro Gasparini, CCO, Immervision

"This conference meets and exceeds all expectations."

Bill Evenson, vice president, FFT

"Best use of conference time in my career. Not a series of infomercials, had topical opinions on the market and great opportunities to talk to decision makers."

Robert Latchford, CFO, Cernium

"Excellent round up of what's transpired in the industry over the past year and what's expected for the year to come."

Jennifer Brown, editor, Canadian Security Magazine



"Where the smartest leaders in our industry gather to validate that their strategies, direction and vision are in step with their peers."

Ray Dean, president, PEI Systems



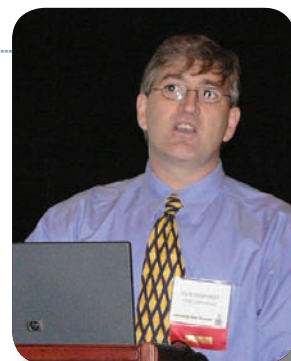
Video in the 21st Century

The 2006 Securing New Ground conference ended with a bang. Executives from four leading video companies gave their perspective on today's challenges and tomorrow's opportunities in the video market.



Craig Chambers, president and CEO, Cernium Corp., noted that most video spending is still for storage. "Because we don't know how to handle all the video we're generating," he said, "we've been told to store it all." But extracting useful information from that video requires interpretation, which currently is limited by human perception skills and computer vision capabilities. "Spending millions on storage in hopes of retrieving images from a single event now and again makes its ROI suspect," continued Chambers. "The goal of video in the 21st century is to advance video analytics from its current state to video content analysis that provides useful information."

John Humphrey, vice president of Video Infrastructure Solutions, Verint Systems, said that "IT-centric, networked security technologies such as video analytics are the only way to manage in today's demanding environment." He described how organizations increasingly are leveraging captured video to increase business ROI, improve operational efficiency and collect marketing data and business intelligence. Retailers in particular are beginning to use IT-enabled video technology in applications beyond security, such as counting shoppers and managing check-out lines. "Open standards are extremely important in IT applications," stated Humphrey. "We can leverage IT standards in technologies such as niche compression, data storage and databases and networking."



Scott Schafer, senior vice president of Marketing and North American Sales, Pelco, told the audience that "enterprise security systems are at an inflection point. Historically, video system purchase and implementation have been fragmented. End users today are beginning to require and deploy enterprise systems, and technologies to deliver powerful enterprise solutions are in place with more to come." Schafer said he has seen instances of end users first choosing an enterprise platform and then installation-through-life cycle integrator partners. "The lesson here for integrators," he added, "is that more and better collaboration and partnership with enterprise system manufacturers could be key to winning enterprise business."

Andrew Teich, president, Commercial Visions Systems, FLIR Systems, described the industry's steady migration to IP interconnectivity. "With few exceptions, our customers are somewhere on the continuum of migration from legacy analog to video-over-IP infrastructure," he said. "We're devoting a great deal of attention to bandwidth and latency reduction and, very importantly, ease of integration. This is opening a new universe of operational and functional opportunities." Teich also addressed market economics. "Advances in infrared manufacturing technology and emerging non-security, high-volume markets such as automotive are driving down cost. These steps are bringing the advantages of thermal technology to a broader subset of the security market."



What are the two most significant changes we'll see in the security industry between now and SNG 2007?

A sampling of speaker responses.

All conference speakers were asked this question. Here are some of their predictions.

Pelco's Scott Schafer:



"IT will be more involved in the video security purchase decision, as all security moves onto IP platforms. The CIO may not have the final 'yes,' but can say 'no' to any deal.

As is now the case with all IT expenditures, video security and surveillance must deliver real business value. Customers will not buy a system just because it has cool new features."

HID Global's Debra Spittler:

"New players from IT will enter the traditional physical security space and there will be more emphasis on physical and digital identity integration."



Dunrath Capital's Brian Gannon:



"Private security company valuations will soft land and there will be a shakeout in early 'over-invested' segments such as intelligent video, biometrics and some sensor categories."

Aeris.net's Bill Gurza:

"Two emerging trends in the M2M market are the seamless integration of wireless voice into M2M applications and the value chain collapse."



Securitas Systems' Marty Guay:



"Convergence of IT solutions and the security market will create opportunities for systems integrators to provide more service remotely.

As customer needs and demands continue to increase, integrators who 'live with the customer' and recruit and develop strong people will be in the best position."

ProFinance's Bill Lynch:

"Mexico will emerge as the new North American growth market and Central Station monitoring centers will begin to leverage telemedicine reimbursement codes for new RMR."



RSI Alarm's Keith Jentoft:



"Low priority dispatch, which is becoming the accepted policy in all but very affluent communities, is reducing the perceived value of monitored security systems.

There will be greater consumer understanding of the choice between a free system with no/slow law enforcement and a higher-cost system with priority dispatch."

Siemens' George West:

"There will be further clarity on the convergence of logical and physical security and further consolidation of niche technology players."



Savi's Mark Weidick:



"Adoption of more global standards will make investment easier and convergence and interoperability will facilitate data integration from various devices."

L-1 Identity Solutions' Joe Paresi:

"More technology will be deployed to detect liquids and explosives at airports and technology will be deployed in Iraq as part of a U.S. oversight role. The intelligence area will receive more funding."



Bosch's David Anderson:



"There will be migration of sensor data fusion to the security industry. Fusion combines sensory data from disparate sources to create better information than would be possible if the sources were used individually."