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SMEs and the Home Consumer Market, Purgatory or El Dorado?

Background

According to, for instance Severin Sorensen, the home security market (consumer market) as well as the Small businesses market has not really taken of and there has been debate as to why this is. Many seem to view the market with small businesses, as well as the regular consumer business, as something that requires too much sales time, too much support time and too little overall gains to be worth the effort. We would argue that this is both erroneous, as well as a dangerous view to have for a sustainable security business.

"Customers just don't know how good the cameras are today, they have seen too many shows on TV where you can hardly see the gender of the person doing a crime." LG Axlesson, Bevakningsgruppen, "Before bandwidth was a real problem for IP cameras, but today that is not even a factor on smaller installations" Jonas Birgersson, ViaEuropa. With statements like these it would seem that the only obstacle to start selling smaller installations would be one of information towards the end-user. The general view appears to be that Homeowners and SMEs do not know how security works, and therefore "the sell" should be as easy as possible, which essentially means security for dummies and that in turn implies that any regular alarm is hard enough for the end-user to fathom. Adding a camera system to the security solution would create too much support issues both in the selling phase as well as after actual installation, creating a purgatory[1] for the installer or integrator. There is a tradition to sell alarms with motion detection and fire/smoke detection and this is still a very good business; maybe too good, and there has been no reason to add good cameras into the mix. It would seem that if you could find compelling selling argument for homeowners and small businesses you could resell full monitoring systems to existing customers, which is always easier than selling to new ones, this in turn could turn into a virtual El-Dorado[2] of new sales to the existing customer base.

According to security experts such as Ray Bernard, security systems of today are made by security experts for security experts, where proprietary systems are still the norm of the day instead of more open systems where parts can be interchangeable. There is still a clear hesitation within the industry to take an active strategy towards more open architectures, this is evident in work carried out by organizations such as SIA and OSE who have worked a long time on finding a common ground for

[1] The word "purgatory" is often used in reference to suffering short of everlasting damnation, and is used in a non-specific sense, to mean any place or condition of suffering or torment, especially one that is **temporary**
[2] El Dorado came to be used metaphorically of any place where wealth could be rapidly acquired

interoperability. OSIPS from SIA has just been passed and OSE are still working on getting their convergence roadmap to achieve traction. Axis, Bosch and Sony have announced an open network video interface forum (ONVIF) in order to get a standard network interface to develop video products towards. In a couple of years we should start seeing a market situation where smaller players can begin to developing hardware and software that can be integrated onto the IT networks as parts of a security system, but today there is a real shortage of good salespeople as well as installers that know the new IT hardware as well as software. This ineptness can often be said to carry over towards the end-user since they have not been trained, or even informed of what the new ICT based security systems can do. In this we have identified two separate problems. One being a lack of knowledge with installers be they IT or Security installers, this lack of knowledge is covered in a forthcoming whitepaper by Prof. Thomas Kalling within the Lusax team. The second problem identified is how to deal with the end user, be that a SME or an end consumer with an apartment or house.

What then could be an effective strategy towards these players, and are they worth the trouble?

The companies with less than 500 employees could be said to fall within the SME field since the US definition for a medium sized business is 500 and the EU standard is 250. The SME's have very different needs and wants compared to larger companies, which should influence the way they receive, as well as accept, information. The smaller companies without a CSO will most often have a very different view on capital spending towards security and surveillance. Obtaining a budget for any investment outside of the perceived core business typically requires more work and a keen insight into their operations. The concept of good business cases with clear ROI will be more important than ever, as will an ability to understand the customer needs in relevance to core business.

This is an untapped marketplace that requires more investment of time and effort in order to bear fruit, but the potential sales within the SME field are far greater than that of the big accounts that are out there. One example of larger accounts that could be in jeopardy is the retail industry, which is the largest spender on video surveillance equipment in the US marketplace today. When their business slows down because of curbed consumer spending it ultimately affects the security market and especially the video surveillance market. (http://www.imsresearch.com/members/pr.asp?X=494) Thinking on the large accounts it seems quite desirable for all to have a broader base to stand on instead of a few large customers that also have an ability to demand more service and support than a smaller customer or partner could. Shouldn't considerable resources be put towards forming alliances that help companies tap the SME resources that are so evident in the marketplace? Why have this not been done? One plausible explanation is the immaturity of the end user as well as certain immaturity of the industry it self when it comes to catering to this segment.

According to Severin Sorensen it is a testament to this immaturity of the marketplace for SME's that the "Do it your self" culture that focuses on individual users as well as SMEs, which has been evident within, for instance the IT-sector, has not gotten a foothold within the security sector. It stands to reason that with the convergence of the IT and Security verticals we should start to see more and more

demand for materials or products that are easy to install, change and maintain for anyone. The idea of the connected home described in for instance the USBX report on home control and automation (http://www.usbx.com/experience/consumer_products.asp), or AssaAbloys iO home control (http://www.io-homecontrol.com) all demand products that work to certain standards. We have now grown accustomed to being able to purchase almost any IP gadget and being more or less certain that it will work with our home system, it was not long ago that this was not the case and it is not far fetched to envision the same happening to the very protected proprietary security systems that we see today. The convergence of the IT and Security industry will most likely work as a form of catalyst for this and the question is not if, but when, we will start seeing real open systems and the new products and market opportunities these will bring.

The bottom line is that convergence is happening, albeit not as fast as some would like, or as fast as has been projected. That, said, it is moving at different speeds in different silos. Convergence as such is not a bad thing, even though many in the industry seem to regard the term with skepticism, but this is mostly doe to a lack of understanding of what real convergence will bring. By having a market that actually works under some form of standards, even if they aren't totally unified means that resources are being used in a more efficient way. Going by the Resource Based View (RBV) companies need to transform short-term competitive advantage to a sustainable long-term advantage. Applying the bundle of different resources that are at the companies disposal in a specific way achieves this goal. This requires resources that are heterogeneous in nature and neither perfectly imitable nor easily substitutable. Translated to English this means that you need parts that are interchangeable (heterogeneous), but are expensive (money, time or knowledge) to change. This would imply that lock in for the industry is not to have proprietary systems where you can not interchange parts, but rather that there is a significant cost associated with change. This cost can be illustrated in monetary terms for changing the actual product, but also in time spent training on new systems, down-time when installing and so forth. This is again where integrators could take a larger stand and sell a service that delivers a specific value to the end-user without the need for this end-user to think about hardware, software or for that matter any ware since they are buying a result and not a box of goods. If these conditions hold, the firm's bundle of resources can help sustain above average returns according to RBV.

Without common standards to adhere to, and a continuation of statuesque with proprietary systems and ideas there is a real risk that incumbent IT giants such as IBM, Sun, 3Com, Cisco and others will steal the show and become the next generations total security players by sheer force and predominant knowledge of how to set up and work with open standards, since they have all been through the same process before albeit within their own domain of IT. This is why the work of SIA, OSE as well as the ONVIF initiative are so important, without them the security players you see today will most likely not be here 10 years from now in any way shape or form.

End Note

It would seem as if the question should not be if working with SMEs and consumers is a Prugatory or an El Dorado, but rather it should be posted as a statement: Purgatory and then El Dorado!