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Monitoring

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Security as a

SERVICE

Monitoring centers such as Diebold Inc. are on top of the trends — offering central station-based services such as video monitoring and subscriber updates to mobile devices that give customers a more active role.

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The Future Is Now: Can You See It?

Security monitoring traditionally has been viewed as a cost. By adding video monitoring as a service, the industry is changing that paradigm.

In the beginning, video security showed a lot of potential, but in practice, it was often a disappointment. Video quality could be poor, reliability could be low and cost could be almost prohibitive.

Years later, thanks to advancements in network technologies, digital video, resolution and a host of other factors, video has blossomed into a robust, reliable service that many customers have come to take for granted. As a result the popularity of video has grown significantly in recent years, which is welcome news to dealers, integrators and central stations.

PAST BARRIERS

One factor that inhibited video's potential in the past was the lack of uniformity between various manufacturers' products. Because of the large number of types and brands of DVRs, central stations couldn't handle them all and were left having to pick and choose. With greater openness and standardization coming to DVRs, that's not necessarily the case anymore, says Clifford Dice, chief executive officer (CEO) of central station automation software provider DICE Corp., Bay City, Mich.

"Alarm panels went through the same thing many years ago," he says. "I see the industry on the cusp of the same thing with video. It's not going to matter what DVR or cameras you have."

This openness, Dice says, will create greater opportunities for both dealers and central stations.

"The new wave is open monitoring. You don't have to stick with one product, so central stations will be able to take in any dealer's customers."

According to Jacky Grimm, director of security services for Diebold Inc., North Canton, Ohio, that day has arrived.

"The proprietary days are over. Any central station that's still doing that is falling behind," she says. "The IP world is

changing that. The industry had to wait for networks to catch up — not from a technology standpoint, but from a price standpoint."

Another factor that has contributed to the increased popularity of video monitoring is the simple fact that video is so prevalent in the world today, says Steve Surfaro, strategic channel manager and security industry liaison for Axis Communications.



PHOTO COURTESY OF DIEBOLD INC.

Diebold's Jacky Grimm explains that each customer has unique requirements for adding video, which are usually related to a business need, such as risk assessment or cost reduction.

“People are already used to getting video — even live video — on their mobile device or laptop,” he says. “They’ve already seen it and they know what to look for and what to expect.”

FALSE ALARMS

To some in the industry, the terms “false alarm” or “false dispatch” are dirty words. But there is no doubt that video verification, which can help prevent false alarm fines and fees, is a major factor in driving demand for video monitoring services. Kelby Hager, CEO of Westec, Coppell, Texas, goes even farther than that in predicting the future of video monitoring.

“Video verification laws are pervasive, and statistics show that just over two percent of all alarms are valid,” he says. “With that in mind, I believe that within five years, every customer will, at minimum, demand video verification to eliminate false alarm fines.”

Think the influence of false alarms on video’s popularity is overstated? Try telling that to your customer who just received a bill from their municipality for hundreds of dollars to cover numerous false alarm fines.

“With video, operators can take action on what they’re seeing when an alarm comes in,” Grimm describes. “That can save customers anywhere from \$150 to \$300 for each alarm — and that can add up fast.”

Wayne Torrens, CEO of Micro Key Solutions, Kissimmee, Fla., says video not only saves customers money, it makes their facilities more secure by increasing the likelihood of timely law enforcement response to alarms.

“If you call the authorities in response to a traditional alarm, without knowing what’s happening on site, it’s not like the cavalry’s coming,” he says. “Now if video comes in to the central station along with the signal, police will respond very differently.”

Surfaro agrees, calling video a “force multiplier.” He says, “If you can see someone is being threatened with a gun or something else, you can help get law enforcement to the scene faster and more safely.”

In many cases, video, coupled with standards such as the Central Station Alarm Association’s video verification standards also reduces the potential for human error — and the liability associated with that — within the monitoring center.

“Most central stations don’t want their operators making decisions about what happened,” he explains. “It lowers liability if you can say you’re following some sort of industry standards, along with operator training.”

The alternative, Torrens believes, isn’t very attractive.

“If you’re a cowboy out there doing your own thing, saying, ‘This is the way we do it,’ you’re opening yourself up to a lot more interpretation or second-guessing — and a lot more liability,” he says.



PHOTO COURTESY OF STANLEY

Video monitoring allows central station operators to provide remote escort services to ensure employee safety as they walk to and from a building.

Monthly Monitoring Rate for Video Is 3 Times More Than for Alarms

Average monthly monitoring prices for...

Residential alarm monitoring	\$26
Non-residential alarm monitoring	\$37
Remote video monitoring	\$83

SOURCE: SDM 2010 FORECAST STUDY

Dealers and integrators who participated in SDM’s annual Industry Forecast Study indicate that they are earning more than three times more for video monitoring, per customer, than for residential alarm monitoring.

BUSINESS CASES

Reducing false alarm fines is just one way installers and dealers can demonstrate video monitoring’s potential cost savings. However, there are many more business cases that can be made for using the technology in a central station.

“Each customer has unique requirements for adding video,” Grimm describes. “It’s usually another element of business needs, like risk assessment or cost reduction.”

In addition to reacting to alarms and other events, monitored video allows customers to be proactive as well, Grimm thinks.

“With remote guard services, the central station can walk through a location virtually by accessing cameras,” she describes. “By using video, rather than having two or three guards on site, customers can have only one or two. Not only are they reducing manpower costs, but they also have a record of the tour.”

Customers who want to realize those cost savings over having a guard on-site don’t necessarily have to sacrifice employee safety to do so, says Guy Kline, vice president of sales and marketing for ALARMWatch, Hunt Valley, Md.

“Think of the individual who works late nights and walks to and from a parking garage,” he says. “With two-way video and audio, we can be their personal concierge.”

Grimm at Diebold also believes in the value of such a service. “When customers have buildings or facilities in areas that may not be very safe at certain times of day, instead of sending a guard, someone can call the central station and have an operator monitor their progress until they enter the building or get into their car,” she says.

Additional on-site services that can be performed through video rather than by a guard include internal audits to reduce shrinkage and criminal activity, among other things, Hager details.

offering new services to existing customers.

Fortunately, services such as video monitoring are a great way to grow the RMR, Grimm says. “There are huge opportunities for dealers and integrators for all new technologies, particularly video,” she says.

That’s not to say there isn’t still a lot of work involved in selling these services.

“Customers view services as a cost, not a revenue generator, so they want to know how video can save them money,” Grimm describes. “They have to see video as a way to change their margins, whether that’s through reducing false alarm fines, monitoring slip-and-fall claims or anything else that can cost them money.”

Sharon Shaw, vice president of Integrator Support, Westminster, Colo., says the transition from selling alarm systems to selling managed services can be a challenge for dealers and integrators, but it doesn’t have to be a daunting task.

“A lot of people think this is harder than it is, but you don’t always have to go after new customers,” she claims. “If an installer has hung cameras at site, that’s an opportunity to sell additional services to a customer who already trusts them. A lot of dealers forget that because they’ve gotten so used to doing a job and walking away.”

When it comes to new customers, Shaw adds, it’s important to break the habit of selling the equipment up front.

“Selling managed services takes a different approach; you need to sell the services up front,” she says. “That way, you’re selling a total solution, and the system is just how you’re going to provide that service. Otherwise, you’re force-feeding an extra monitoring contract down their throat.”

As for equipment, Shaw says dealers and integrators may have to swallow a painful pill when it comes to price, but that they can more than make up for that in the end.

“Dealers need to understand that they may have to take less of a margin on the equipment and installation up front, recognizing that they’re going to make that up in the revenue they get from delivering services,” she says. “That’s scary for the dealer, but if they make that part of their business model today, they can use that to their advantage as they plan to keep up with and stay ahead of their competition.”

Once they’re able to successfully communicate the value of video and other services to customers, Grimm says, the potential RMR boost from those services can

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PHOTO COURTESY OF WESTEC

Video verification, which can help prevent false alarm fines and fees, is one of the main factors driving demand for video monitoring services, according to Westec’s Kelby Hager.

“A customer could remotely access cameras through their smart phone or over the Internet and remotely ‘walk through’ and see if their site is clean, if it’s being run appropriately, how well it’s stocked or even how customer service is handled,” he says. “The central station can also act as a roving manager, providing feedback to owners or managers when they’re not on site.”

WHAT ABOUT RMR?

For dealers, integrators and central stations, the name of the game can be summed up in three words: recurring monthly revenue. That revenue is what keeps companies in business. Many dealers as well as integrators have successfully built up their RMR by

says. SDA also has had substantial success selling the monthly service to customers that already have Honeywell access control equipment.

“We say, ‘Let us take it over, then you don’t have to deal with software upgrades,’” notes Harbour.

Honeywell reports it has seen tremendous growth in remote-managed services based on WIN-PAK PRO, with the number of monitored sites doubling in 2009.

“Customers across industries today are tasked to do more with less, and managed access control addresses this reality,” notes John Smith, senior marketing manager for Honeywell. “Managed access control has emerged as a viable solution to maintaining facility security while reducing associated costs. In turn we’re seeing dealers evolve from installers to service providers.”

Some dealers offer managed access control that is integrated with a client’s security system monitoring so that, for example, an alarm would be sent to the central station if someone entered the pharmacy area at a hospital at the wrong time. Although some dealers interviewed for this article say they have not seen much interest on the part of customers in that capability, others are seeing a growing demand for it.

Rather than simply managing an access control system remotely, dealers can add value “the minute they tie access control into monitoring and dispatch and low-battery reports,” notes Cliff Dice, chief executive officer of DICE Corp., a Bay City, Mich.-based provider of central station automation software.

DICE has added several capabilities to its software to enhance the value of access control monitoring. “We made access control an after-product of the alarm so if someone is going in and out, they can just arm the alarm,” Dice comments. “Or if someone wants to access an area they shouldn’t, we can create an alarm for that.”

Another capability in DICE’s software enables central stations to bill for individual additions,

***‘Customers across industries today are tasked to do more with less, and managed access control addresses this reality.’
— John Smith, Honeywell.***

deletions or other changes to an access control system if they choose to. Today many alarm dealers charge a flat monthly fee for an unlimited number of changes primarily because they have no way to bill for individual modifications, Dice says.

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be staggering. “A dealer could potentially improve their RMR by 30 to 200 percent,” she says.

Looking at its bottom line, Westec can attest to those projections, Hager says. “Across the industry, the average RMR for a traditional monitoring customer is between \$40 and \$50,” he says. “Ours is north of \$200 because of the value-added services we’re providing.”

And what’s the key to Westec’s success?

“Traditional monitoring customers can be converted to higher services and higher RMR,” Hager believes. “Security and security monitoring have been viewed as a cost. By combining video and monitoring, we’re changing that.”

FINDING A NEED

Introducing new services to customers can be a tricky proposition, Surfaro says, especially in the area of pricing. His advice: do your homework.

“You have to fit the cost of services delivered to your customers’ needs, not necessarily to what’s charged by other companies that provide solutions your customers don’t necessarily need,” he advises.

While it may sound like something straight out of Business 101, Surfaro says the equation for providing both successful services and a high level of customer satisfaction is simple: “Put yourself in the position of the customer who doesn’t realize how useful these services are,” he says. “Find out what their main problems are and then solve those problems.”

While it may not make the most business sense to provide “technology for technology’s sake,” there are exceptions to the rule, Torrens says. “For the most part, you don’t want to be providing technology for technology’s sake,” he says. “But it can be acceptable if you’ve done your research and you feel strongly about a product that will benefit your customers down the line.”

According to Jon Bolen, Westec’s chief technology officer, a blend of research and listening to customers is the best way to anticipate what’s coming in the industry. “Knowing that you really don’t know where the technology will be in five years, you have to make an educated decision and apply your investments appropriately,” he advises.

Even if a particular technology does indeed meet a customer’s need, what will create success for dealers and integrators is backing it up with exceptional service.

“In the end, it’s all about response,” Grimm believes. “You can have the greatest technology but if it’s going back to an organization without trained, certified staff, you’re not going to provide the response customers expect.”