

Thar's Gold in Them Thar Pages!

BY SCOTT GOLDFINE



There's no sugarcoating it, 2009 was a rough year for the security industry. Growth was minimal and many companies saw lower revenues and reduced profits. However, there are multiple silver linings to this dark economic cloud. The security industry was not hit as hard as most, indicators show things are turning around and the greatest growth lies ahead. Plus, companies were forced to get back to fundamental business practices that will optimize future success.

According to SSI's Installation Business Report (IBR), the results of which are featured in the ensuing pages, the average number of projects were either down (access, video, intrusion) or flat (fire). Responding dealers/integrators also reported reductions in commercial, industrial and residential installations. This was the case for operators of all sizes — large (annual revenues \$10 million or higher), midsize (\$1 million to \$9.99 million) and small (less than \$1 million). Plus, the total monitored population sank to its lowest level in more than 10 years (est. 27.5 million).

The downsizing trend seen in 2008 continued, with large firms slashing workforces by almost 12 percent. Most who kept their jobs were fortunate to see any pay increases. To assess the full measure of the recession, the IBR for the first time included questions about its ramifications. On a scale where 5 was the greatest level of impact, 72 percent rated the adverse effects 3 or higher. Respondents also chose the recession as their top concern (*see graph*).

On the positive side, the industry's average revenue for 2009 was estimated to climb from \$12 million to \$12.4, indicating 3-percent growth (a far cry from what's customary but also respectable given circumstances). In addition, while the volume of business nosedived, the access, vid-

eo, intrusion and fire/life-safety sectors all recorded boosts in gross profit margins. Furthermore, each of them, except fire, notched increases in the average price charged per project. It's nice to know most security contractors (at least those who are still in business to tell about it!) did not fall into the price-slashing trap.

Other upbeat findings include: 19-percent growth rate in

IP camera sales; per 2008 FBI data, violent crime (-2.5 percent) and property crime (-1.2 percent) both waned (although burglaries rose 1.6 percent); and, according to the National Fire Protection Association (NFPA), the number of fires and fire-related deaths and injuries all fell in 2008, the former to its lowest total in more than 30 years! Those results tell me our industry's solutions are in demand and making a difference in Americans' lives.

That's just a sampling of the wealth of information you'll find in our appropriately titled, *The Gold Book*. Although only in its second year with that moniker, since the 1990s this annual edition has been relied on by security professionals, investors, the media and academia as *the* industry reference cornerstone. Not only does it include market statistics, but also expert trends analysis; contact info and profiles for hundreds of equipment and service suppliers; a trade associations directory; 2010 events calendar; and much more.

In an environment where you need every edge you can muster, isn't it nice to have so many essential resources in one place? I hope these solid-gold nuggets of market intelligence help you strike it rich in the coming year.

Top 5 Security Industry Concerns

1. The recession
2. Government regulation
3. Operating costs
4. Manufacturers selling direct
5. Lack of employee training

On a scale where 5 is the greatest level of concern, the recession scored a 3.6 among installing security contractors. Government regulation notched a 3.49; operating costs, 3.48.

Source: 2009 SECURITY SALES & INTEGRATION Installation Business Report