

Connecting the Dots: The impact of Covid-19 on physical security markets

May 2020

Physical Security Markets: The impact

The economic consequences of the coronavirus pandemic will undoubtedly hit the professional video surveillance, intruder alarm and electronic access control markets hard. The greatest impact has been felt in new construction projects, which have stalled across the globe in the wake of the downturn. Global supply chains for crucial components of security equipment have been threatened, and demand has been negatively impacted across most vertical markets. It is almost certain that the global market will decline in 2020, though the rate of this decline will depend greatly on the length and extent of measures necessary to combat the pandemic.

Despite the gloomy overall outlook for the global market, there are a small number of new opportunities for vendors in regards to specific verticals and technological trends. This document focuses on those opportunities.

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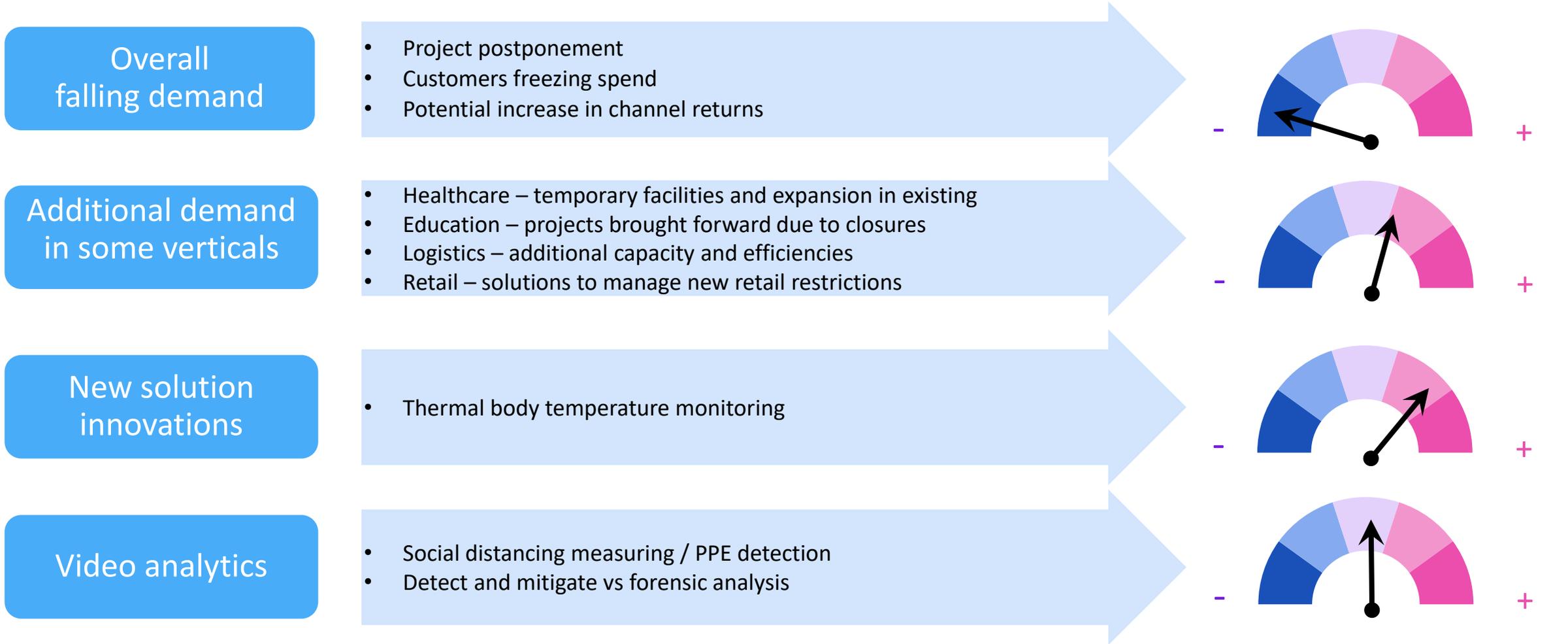


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Video surveillance market trends as a result of COVID-19

Potential revenue impact

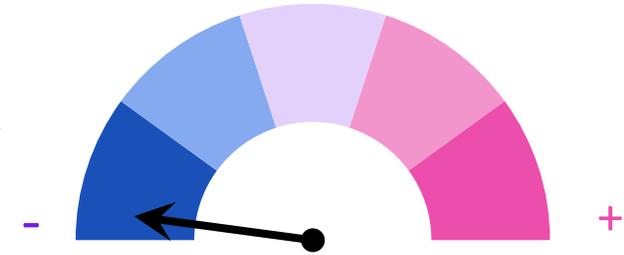


Video surveillance market trends as a result of COVID-19

Overall falling demand

- Project postponement
- Customers freezing spend
- Potential increase in channel returns

Potential revenue impact



The economic consequences of the coronavirus pandemic will undoubtedly hit the professional video surveillance market hard. It is almost certain that the global market will decline in 2020 and the rate of this decline will depend greatly on the length and extent of measures necessary to combat the pandemic. With organizations closed and restrictions on the movement of people, the companies that install video surveillance equipment have been struggling to perform their role and demand for equipment has slowed dramatically. Naturally, this is affecting all parts of the supply channel, from the installers of video surveillance equipment to their distributors to the equipment manufacturers and their component suppliers.



Jon Cropley

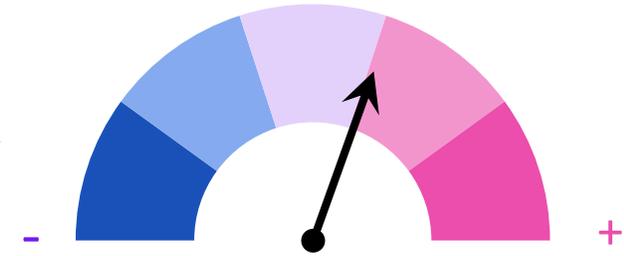
Principal Analyst,
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Opportunities for companies in the professional video surveillance market

Additional demand in some verticals

- Healthcare – temporary treatment facilities and expansion in existing facilities
- Education – projects in currently closed facilities
- Logistics – additional capacity and efficiencies

Potential revenue impact



Despite the gloomy overall outlook for the global market, there is a thin silver lining in a small number of new opportunities for suppliers in specific end-user sectors. One example is the healthcare sector. Temporary hospitals are also being built in many countries and video surveillance equipment is required to guard the security of these hospitals. However, these temporary hospitals are not the only healthcare opportunity. It is likely that some additional demand for video surveillance equipment in the healthcare sector will be for non-security related applications. For example, video can be used as a way to quickly check in on patients without medical professionals needing to physically visit them as often. This means that less personal protective equipment (PPE) needs to be used. Video analytics could also be for a variety of applications from checking that medical professionals have properly washed their hands to checking that safe distances are maintained between people.

The pandemic is creating a variety of major logistical challenges. These include delivery of medical supplies from producers to healthcare facilities and maintaining delivery of groceries to shops despite interruptions to the supply chain. Video surveillance equipment can be used to guard against theft during storage and transportation. It can also be used in tandem with video analytics to improve logistics efficiency. One example of this is an algorithm that counts the correct number of a particular item have been loaded into trucks.

Schools, universities and colleges are closed in many countries. Upgrades to video surveillance systems can therefore be made without disruption to teaching. Despite this, a challenge is often the staff being available to provide the installers and integrators of video surveillance equipment with access to these education facilities. Although buildings in many other end-user sectors are also closed (casinos, stadiums and many retail stores are all examples), the opportunity in education facilities has been most frequently mentioned to Omdia analysts.



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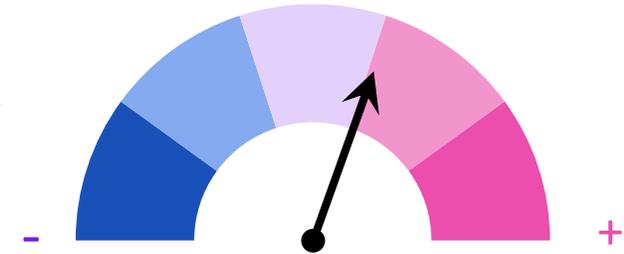
Principal Analyst,
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Opportunities for companies in the professional video surveillance market

Additional demand in some verticals (continued)

- Retail – solutions to manage new retail restrictions

Potential revenue impact



An improvement in the severity of the pandemic and a lessening to some social restrictions is likely to drive some new demand for video surveillance technology in the retail end-user sector. As retail establishments re-open, it is likely there will still be some restrictions for the foreseeable future and shoppers' retail experiences are unlikely to return to normal for many months. Most likely, restrictions will include social distancing in store (often a 2 meter guidance) and total limits on the number of customers which can be in store at any time. Most retailers already have some form of video surveillance installed, traditionally for loss prevention purposes. More recently, the advancement in the performance of video analytics for business intelligence (largely due to deep learning techniques) has led to more retailers considering installing these solutions. However, even many medium and large stores, have still not adopted them. Vendors are already beginning to market solutions for the new COVID-19 world.

People counting algorithms are already commonly marketed to the retail sector. In the future, marketed for use post COVID-19, these algorithms embedded in cameras, combined with public display monitors outside store could offer an effective, automated way to control in-store numbers and tell customers when to enter a store, and when to continue waiting. Such a solution offers retailers a way to automate a process which its staff members would otherwise need to manage. Priced at the correct level, such a solution will offer a real cost saving for retailers over time. Stereographic surveillance cameras, historically a niche product, could exhibit high sales growth as part of these solutions. These cameras use dual lenses to provide depth measurements to minimize false positives and provide accurate people counting. We expect these type of solutions to be more successful than more invasive (and potentially expensive) alternatives such as pedestrian barriers. With queue length monitoring analytics embedded in cameras there is even technology available to provide queue length monitoring outside stores with live feeds to displays outside and websites. Customers would be able to see in real time how long the wait is to enter a store. This kind of solution, is just one example of how existing technology could be re-packaged and marketed for a new post COVID-19 lockdown purpose.



Josh Woodhouse

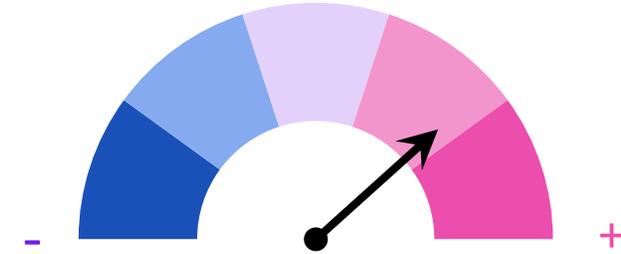
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Opportunities for companies in the professional video surveillance market

Potential revenue impact

New solution innovations

- Thermal body temperature monitoring



Innovation continues in the video surveillance industry in the face of the coronavirus pandemic. Following the outbreak, a number of technological innovations have been developed as direct result, alongside many existing technologies which have found a new market or increased demand. Thermal body temperature monitoring solutions are the most prominent example and have attracted huge interest. The concept is to use thermal imagery as an additional screening method to identify elevated human body temperature as a potential symptom of the coronavirus.

Generally speaking, thermal body temperature monitoring solutions use a radiometric thermal security camera to measure body temperatures. This may be augmented with a black body radiation source, which, when installed in the camera's field of view, can provide a constant calibration source to increase the accuracy of the temperature measurement. In-built video analytics can add additional intelligence to the solution such as targeting the temperature reading to the forehead and including the functionality to detect the use of face masks or other PPE.

These thermal body temperature monitoring solutions are not medical devices, nor can they detect fever. They are marketed as an additional tool to assist in an organization's mitigation of the coronavirus. In many facilities or in certain buildings, organizations may want to screen entrants on mass for elevated body temperatures. These devices are claiming to offer a more efficient method to do this and at a safer distance than a staff member manually measuring people's temperatures. It is often recommended that only those displaying an elevated body temperature in the initial screening are then tested by a medically rated thermometer to validate their initial reading. Depending on the organization's policy, they may then be advised to isolate at home away from the premises, to minimise the risk of them having the virus and spreading it.

It already seems likely that thermal body temperature monitoring solutions will exhibit huge sales growth from hundreds of units sold in 2019 to tens of thousands of units in 2020. Body temperature monitoring is likely to become a common feature of building security and access control in some premises.



Josh Woodhouse

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Opportunities for companies in the professional video surveillance market

Video analytics –
social distancing
measuring / PPE
detection

Historically the use of video analytics has been very much for security purposes. However, in recent years, demand for business intelligence and safety analytics have grown quicker than demand for security analytics. In 2020, there has been a clear focus on video analytic innovations which have been developed as direct result of the coronavirus outbreak.

Initially, Omdia observed that the majority of developments were related to facial detection and recognition analytics. This was to either detect if face masks and other PPE was being worn; to identify the forehead for accurate thermal body temperature monitoring; or to enable the use of facial recognition on people wearing face masks. However, as the pandemic has continued, other types of algorithms have been developed and existing algorithms have been adapted for pandemic-related applications.

In the same way analytics are typically segmented into real time vs forensic use cases, Omdia has observed that pandemic-related analytics are typically being segmented into detect and mitigate or forensic use cases.

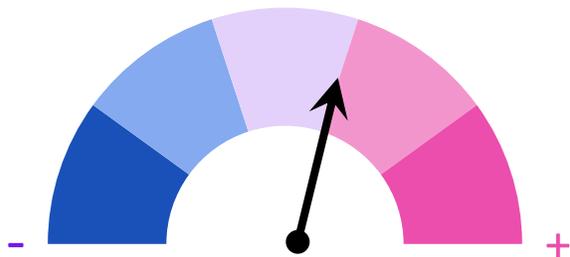
Detect and mitigate – includes algorithm applications such as social distancing, traffic and movement restrictions, and crowd and occupancy analysis. These are all analytics requiring real time alerts to facilitate restrictions on the movement of people. For example, such algorithms could be used to mitigate against too many employees gathering in the canteen at lunch. Alternatively, they could be used to ensure that warehouse workers maintain a distance of two meters from each other. Or they could ensure that only the appropriate number of people are allowed to enter a supermarket at any one time.

Forensic analysis – is the monitoring of social distancing rules to collect and report data on a regular basis – daily or weekly. This could be to show the number of times the occupancy rules have been broken in a given week. Alternatively, forensic analysis could be used to highlight areas of a building that had higher occupancy and therefore needs a deeper clean.

A fairly controversial use of forensic analysis is “contact tracing”. The concept is to identify a person who has been diagnosed with COVID-19, and to assess where they have been and with whom they have been in contact. This is in reality an adaptation of locating a person of interest which then uses facial recognition to identify with whom they have been in contact. Its use of facial recognition has made this a controversial analytic, and not a practical application for mass contract tracing. The development of contract tracing using smart phone apps and Bluetooth are being regarded as the best methodology.

Currently, whilst Omdia does expect a slight increase in demand for these types of analytics in 2020. Omdia does not expect any significant long term increase in potential revenues associated with coronavirus analytics. Typically these types of analytics are adaptations of already existing analytics, which are typically already part of a suite of analytics. In addition to this, some detect and mitigate analytics, such as people counting, and cross line detection, or loitering, are already be pre-embedded on some vendors cameras.

Potential revenue impact



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The view from China...

the World's largest video surveillance market

Omdia published an [analyst's insight](#) into the impact of the COVID-19 on video surveillance market in February. This article gives an up-to-date overview on the video surveillance market further into the global pandemic.

(1/2)



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The COVID-19 outbreak that has continued since January has had a profound impact on China's economy. China's GDP in the first quarter of 2020 contracted 6.8%, (the first contraction in decades). The epidemic in China is now showing huge improvements, largely due to the stringent “lockdown” restrictions. Since mid-March home quarantine orders and travel bans have started to be relaxed and business and manufacturing have begun to recover as the pandemic continues to spread overseas. The China video surveillance industry is also being affected to a certain extent, owing to China’s prominent place in the global trade and technology stage. China alone in 2019 accounted for approximately 90% of the worldwide production of video surveillance camera units, and its domestic surveillance market accounted for 45% of worldwide global market revenue, Omdia estimates.

Production recovered in China, domestic supply becomes stable; Overseas epidemic continues to spread, production and business stagnate

Shortage of production staff in the first quarter due to the epidemic improves in China. In early March, leading video surveillance manufacturers announced hiring plan for production-line workers to ensure existing production targets were met. Since March, governments at all levels have actively coordinated the resumption of production. As of April 28th the production has returned to normal for most video surveillance vendors and upstream raw material vendors. Besides, disruption from overseas is unlikely to affect Chinese vendors in the short-term. Large Chinese video surveillance suppliers have increased their inventory of related materials made in the US due to the US-China trade conflict and the US ban in 2019. But price for electronic components increased at a range of 10%-30% in Q1 due to disruption of pandemics. Prices of raw materials and equipment are expected to fall back towards 2019 levels in Q1. With the spread of the epidemic overseas, equipment production in some overseas markets were severely impacted because of lockdown of cities and countries. Video surveillance equipment manufacturing plants are mostly shut down in some developing countries such as India, Vietnam, and Brazil.

The domestic demand in Q1 affected, government rolling out new infrastructure construction stimulus plan

Several public video surveillance vendors in China have now released their Q1 financial reports, showing business was impacted at different levels. Among them, Hikvision's revenue decreased by 5.17%, Dahua decreased by 19.47%, China Transinfo (parent company of Uniview) grew by only 0.47%. This is likely due to halted or delayed government-driven video surveillance projects and stagnated demand in SMB sector. Chinese government has now been aggressively promoting new infrastructure construction stimulus plan with an estimated total investment of 48.6 trillion CNY in 22,000 projects. Nearly 8 trillion CNY will be invested in 2020. Video surveillance equipment can be deployed in these new infrastructures ensure operation and maintenance. Large manufacturers indicated that overseas demand was unimpacted in January and February. However, since March, the video surveillance market suffered great loss due to lockdown of cities and countries in Europe, the Americas, and other regions. Many Chinese manufacturers expect a 30-40% drop of their business in overseas market in March.

The view from China...

the World's largest video surveillance market

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(2/2)



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The demand for thermal camera exploding, with Chinese vendors also selling solutions overseas

Thermal cameras were widely used in fighting the coronavirus in China during the outbreak, and the market demand also exploded in the first quarter. In mid-to-late February, thermal camera production was increased domestically as the additional cameras were sold as part of thermal body temperature measuring solutions. Initially, these were widely deployed in densely populated areas such as airports, railway stations, commercial complexes, and manufacturing plants as staff returned to work. Since early April, the market has seen another demand peak for this solution as schools across the country reopened. Overseas countries in Europe, America, Southeast Asia, and other regions have exhibited large demand for these solutions as a tool for pre-screening potential symptoms of the virus and aid in preventing its spread. Amazon warehouses deployed thermal cameras to check employees' skin temperatures at its 50 warehouses. It is expected like in China the overseas demand will be large as spread of the epidemic continues and end-users consider solutions to help prepare for any second wave outbreaks.

Domestic logistics recovered, and reduced overseas freights affect delivery

In the early stage of the epidemic in China, due to travel ban, the backlog of goods before the Spring Festival, and the delay of returning to work, the delivery time of domestic logistics decreased and the cost increased. In Q2, the logistics industry in China has been recovering. The cost of shipments compared with early of outbreak has declined and is expected to return to normal. However, international logistics has been affected greatly, resulting to the delayed delivery of Chinese equipment manufacturers, and the price advantage for them in the overseas market is likely weakened after the increase of logistics costs. According to the notice of the Civil Aviation Administration of China, flights between China and foreign countries have also been strictly restricted since the end of March. In the short term, the global outbreak of the epidemic will have a big impact on the video surveillance market, especially in overseas market which rely on Chinese manufactured equipment.

Where is the market heading in the post-coronavirus era?

China's domestic video surveillance market demand is expected to recover in Q2. With government stimulus vendors hope overall for 2020 the domestic video surveillance market will still able to grow compared with 2019. Omdia remains cautious regarding this sentiment and it may prove over-optimistic. The situation in overseas from a Chinese video surveillance vendor perspective is not positive. The epidemic is in different stages and government policies vary in different countries. If the global epidemic is improving by the end of the second quarter, it will likely still severely impact the second half of the year demand.

A detailed quantitative forecast on global video surveillance market will be released by July in Omdia's "[Video Surveillance and Analytics Intelligence Service](#)".

Intruder alarms market trends as a result of COVID-19

Overall slower demand

- Large enterprise level projects delayed and postponed
- Residential systems less needed as customers stay home

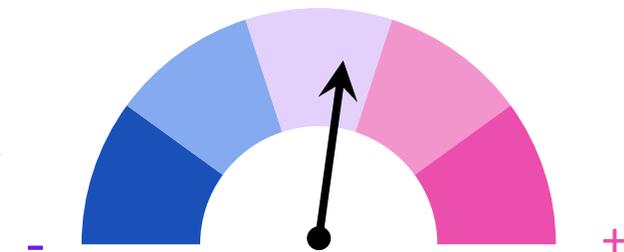
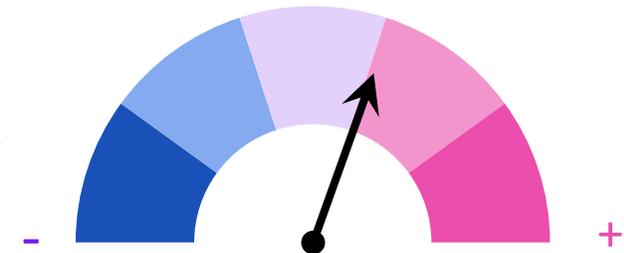
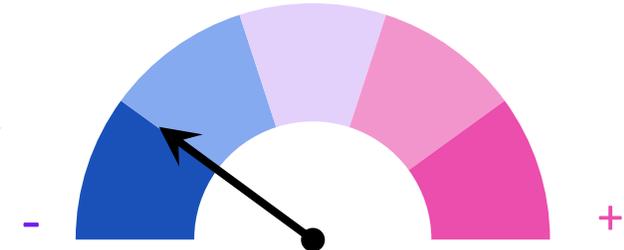
Additional demand in some verticals

- Small business systems for unoccupied commercial spaces
- Professional installation channel benefit – serving unoccupied buildings carries less risk for staff

New solution innovations

- Remote set up and system diagnostics
- Wireless systems for small commercial use – faster installation
- Video doorbells for safer parcel delivery
- Smart home and air quality monitoring features

Potential revenue impact

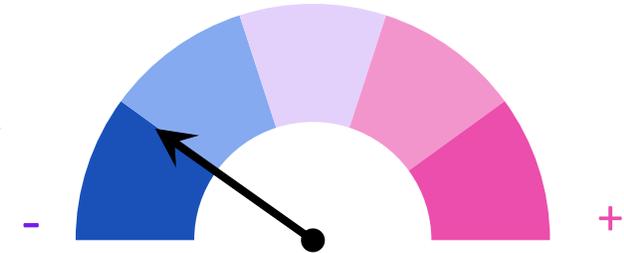


Intruder alarms market trends as a result of COVID-19

Overall slower demand

- Large enterprise level projects delayed and postponed
- Residential systems less needed as customers stay home
- Amazon-based and online retail channel slows down

Potential revenue impact



COVID-19 has affected the intruder alarms industry in a number of different ways. The demand for the number and types of security systems has become more differentiated. Residential systems have become slightly less needed as consumers spend most of their time at home, and there is usually someone from the household who is always present. However, owners of newly built homes will still procure necessary security systems to protect their brand new properties. Wireless systems, suitable for installation in small commercial properties, have become ever more important due to the ease of their installation and remote control functionalities are seen as critical in times of social distancing.

Sales channels were also affected. While traditional sales channels of professional installers have been under threat from DIY intruder alarm systems, the crisis has helped temporarily to shift the scales back away from online retail channels. Revenues that manufacturers are able to generate from the sales of equipment will be shifted between quarters.

The outbreak will cause differing degrees of disruption in different regions of the world. China dealt with its first wave of COVID-19 cases during Q1, which tends to be a slower quarter due to the Chinese New Year holiday. Meanwhile, other countries will be facing the lockdowns during their hottest selling periods in Q2. This means some Chinese manufacturers will be in a better position to recover most of their lost revenues by the end of 2020, while other manufacturers will experience a shortfall in 2020 and only begin to recover in 2021. Furthermore, this assumes that there will not be a second major wave of COVID-19 in the fall that could cause another series of shutdowns and lead the severity of revenue impacts to increase.



Anna Sliwon-Stewart

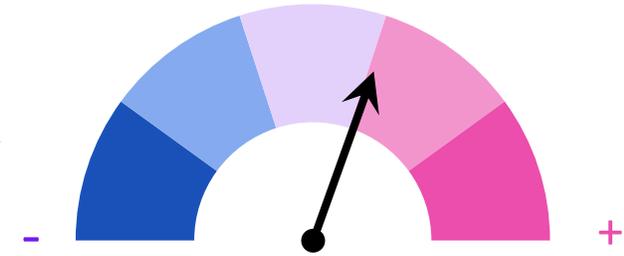
Senior Analyst, Physical Security

Opportunities for companies in the intruder alarms market

Additional demand in some verticals

- Small business systems for unoccupied commercial spaces
- Professional installation channel benefit – serving unoccupied buildings carries less risk for staff

Potential revenue impact



The outbreak of COVID-19 has forced populations to adopt social distancing rules. Employers have asked their employees to work from home to limit the potential contact between each other and customers, and avoid further spread of the disease. In such a difficult environment, many commercial properties have been left unoccupied, even though they would see regular daily traffic of visitors in normal circumstances. This has increased the concern of business owners for the safety of their commercial premises and prompted them to install new security systems with video cameras to be better able to protect their buildings. Systems that enable the user remote access to the system and the ability to change the settings or arming and disarming scenarios will be particularly popular, as they give the user the ultimate control and insight into their commercial property.

Growth will likely be concentrated in the SMB sector as larger commercial security installations require participation in bidding processes for contractors and installers that will be delayed due to an inability to conduct those processes during economic shutdowns. Meanwhile, smaller installations will be much easier to execute as more limited human contact is required to agree to the terms of those contracts.



Anna Sliwon-Stewart

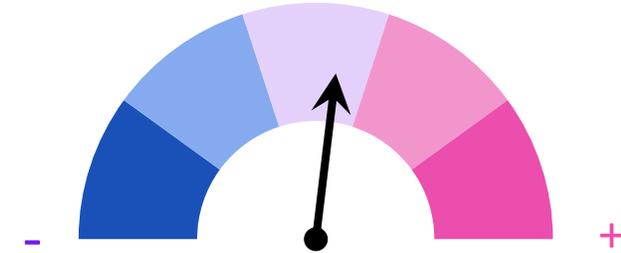
Senior Analyst, Physical Security

Opportunities for companies in the intruder alarms market

New solution innovations

- Remote set up and system diagnostics
- Wireless systems for small commercial use – faster installation
- Video doorbells for safer parcel delivery
- Smart home and air quality monitoring features

Potential revenue impact



For the many dealers and installers who are called in to install new security systems, the importance of fast and easy installation will be particularly important during the pandemic. As a result, wireless systems that are easy to install and maintain will experience increased demand. The less time the installer has to spend at a commercial property, the less likely they are to be exposed to anyone potentially carrying the coronavirus which reduces the risks for the installation staff. Security installers have been designated as essential staff as they provide life safety and security products and services, and therefore they are not required to stay home, which puts them at a greater risk of contracting the virus. The installer's ability to remotely pre-set the equipment or fix any issues with existing installations through remote connections will give an additional peace of mind over safety of the customer as well as the installer.

With more people staying at home now than ever, Internet traffic has increased significantly. This has forced telecommunications companies to work much harder to meet the demand. Despite additional resource investments, home Wi-Fi speeds have dropped down while mobile-network provided internet connectivity has seen an even more noticeable slow-down. This means that the signal traffic travelling through the broadband and mobile networks is overloading the connection lines. There is a risk that some signals travelling from intruder alarm systems to alarm receiving centres may take a bit longer to arrive at the monitoring station, with signals being possibly lost. This means the world is going to be looking to technologies that bypass the traditional alarm signaling pathways and look at Low Power-Wide Area Networks as a viable alternative to preserving the quality of alarm connectivity. Cybersecurity risks remain a factor as the world works from home, and any attack on the providers of Internet services could have far-reaching consequences for many business users who are now primarily operating from their homes and who are struggling to gain new customers for their products and services.



Anna Sliwon-Stewart

Senior Analyst, Physical Security

Remote monitoring services market trends as a result of COVID-19

Overall slower demand

- SMB self-monitoring through apps
- Business operational cost cutting

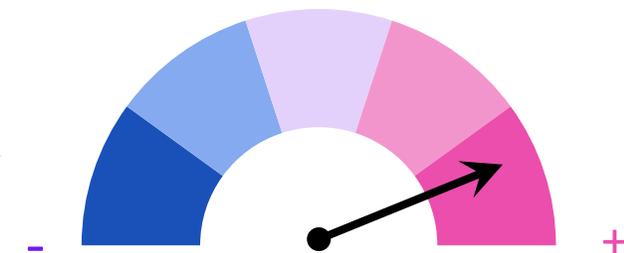
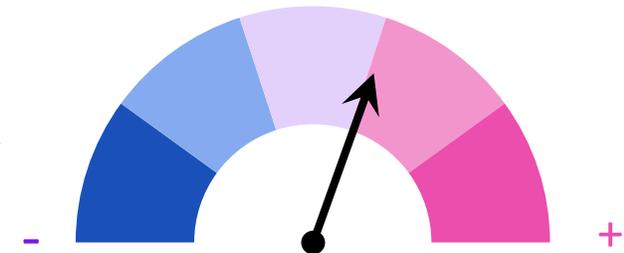
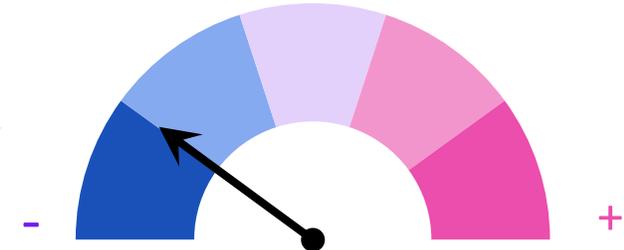
Additional demand in some verticals

- Retail needs constant monitoring due to volume of goods stored on premise
- Large enterprise facilities need constant protection
- Further reduction of reliance on manned guarding

New solution innovations

- Virtual patrols, remote site management and door control in addition to alarm monitoring
- Increased uptake of video verification/monitoring
- Video doorbells/PIR cameras for safer parcel delivery

Potential revenue impact



Opportunities for companies in the remote monitoring services market

Residential end-users are more likely to now switch over from professional monitoring to self-monitoring intrusion systems to help cut monthly household outings, as many people have lost their jobs. If the professional monitoring contracts allow for early cancellations, these users will be most likely to switch over to self-monitoring. However, most of the modern professional monitoring contracts come with high fees attached for cancellation, as very often the price of equipment is included in the monthly fee. Therefore the impact on this vertical for remote monitoring services won't be immediately visible. However, there will be less new professional monitoring contracts signed by residential end-users as they choose to self-monitor. In addition, if the end-users are using their system to secure their primary place of living, their constant presence in the property during a lockdown will eliminate the need to use the alarm system. If the users are using the systems to monitor their small business premises, being constantly present at home will make it easier for them to promptly check on any alarm activations, further reducing the burdens of self-monitoring. Being at home all the time means that they will never miss an alarm activation, and will be able to gain peace of mind through immediate alarm verification.

The use of intruder alarm systems in the residential sector may continue if the systems are being used for more than just security. For example, if the system is central to controlling smart lighting, blinds, or water leak detectors end-users will be more likely to interact with the system and consider it useful. In addition, alarm systems that are installed for the primary purpose of keeping individuals (such as elderly family members) constrained to a desired space will remain in comparatively high demand. These secondary use cases are becoming stronger motivations for many end-users to purchase intruder alarm systems. The more advanced their functionalities, the more popular the product will remain over the next several years.

Regarding the DIY channel, sellers who are introducing their product to the market through Amazon may face difficulties in competing with other DIY providers. In some countries the Prime option of next-day delivery no longer guarantees the goods to arrive the next day, with some non-essential items taking more than a week to arrive, while in other countries this delivery option has not been affected. In such circumstances end users may turn to their local supermarkets or DIY stores to quickly procure security systems.



Anna Sliwon-Stewart

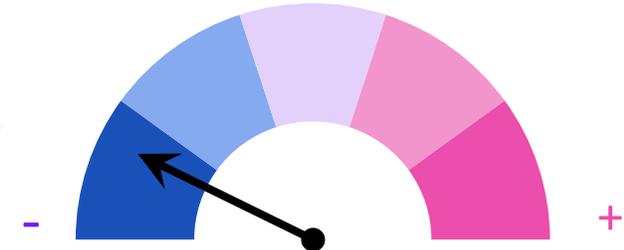
Senior Analyst, Physical Security

Electronic access control market trends as a result of COVID-19

Potential revenue impact

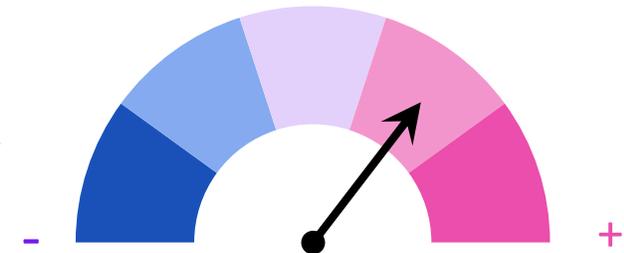
Overall reduced demand

- Spending freezes and delays of major commercial projects
- Major losses of sales opportunities in the oil and gas sector
- Reduced demand for smart and prox card readers as well as physical credentials



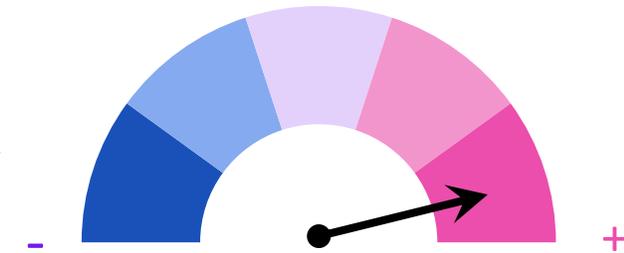
Additional demand in some verticals

- Healthcare – expansion of existing medical facilities
- Retrofit project opportunities in the transportation and small business markets
- Residential electronic ‘smart’ locks



Accelerating technological trends

- Avoiding viral transmissions through frictionless biometrics
- Leveraging and monetizing mobile credentials
- Opportunities with access control software

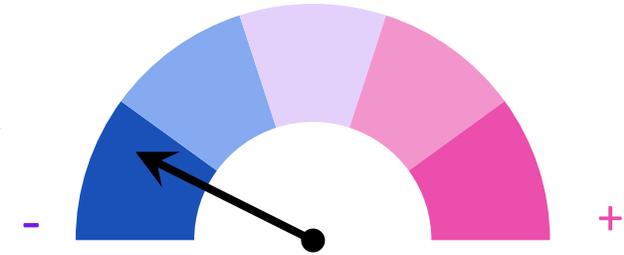


Electronic access control market trends as a result of COVID-19

Potential revenue impact

Overall reduced demand

- Spending freezes and delays of major commercial projects
- Major losses of sales opportunities in the oil and gas sector
- Reduced demand for smart and prox card readers as well as physical credentials



The coronavirus pandemic will lead to a small but notable market contraction for the sales of access control equipment in 2020. Retrofit opportunities will remain, as many existing commercial and institutional building owners will take advantage of an opportunity to upgrade their buildings' outdated access control systems when entrants are not present in their facilities. However, many building owners will be unable to afford investing in system upgrades during an economic recession, and a stagnant new construction market will erode growth opportunities. The hardest hit vertical market will be the industrial sector, as falling oil prices will dramatically reduce projects in the energy industry. If most developed nations reopen their economies by the beginning of autumn, and if there are no major waves of new cases at the end of the year, the market will experience a substantial recovery in 2021.

While the coronavirus outbreak began in China, the Asia Pacific region is now forecast to be the part of the world where sales opportunities will be least impacted in 2020. The initial wave of COVID-19 cases appears to have passed through mainland China, South Korea has emerged as a success story in mitigating the impact of the virus' economic consequences and several emerging economies in Southeast Asia have also succeeded in limiting economic disruption. India, which has been the fastest growing market for access control equipment sales over the past several years, is currently projected to be the one country in the region that may be significantly impacted by the spread of the coronavirus in 2020. As the Asia-Pacific market will be less impacted overall in 2020, sales of biometric readers, which are disproportionately sold to end users in Asia Pacific, will be stronger than sales for smart and prox card readers. The market for prox card readers and credentials will be particularly at risk if the United States experiences protracted shutdowns, as the US constitutes a high percentage of retrofit opportunities for existing prox card systems.



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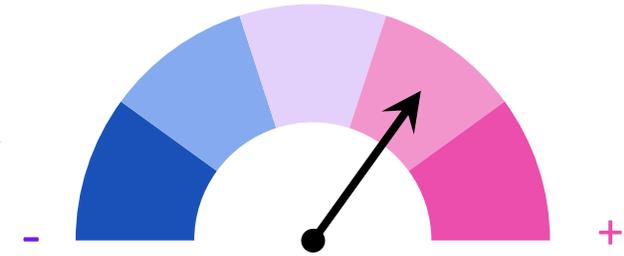
Analyst, Access Control

Opportunities for companies in the electronic access control market

Additional demand in some verticals

- Healthcare – expansion of existing medical facilities
- Retrofit project opportunities in the transportation and small business markets
- Residential electronic ‘smart’ locks

Potential revenue impact



Demand in the healthcare sector is expected to remain steady in 2020 and 2021 as nations impacted by the coronavirus will prioritize construction of hospitals and expansion of existing facilities to meet the needs of an influx of patients. As COVID-19 is highly contagious, it is critical for facilities to limit both accidental and intentional entry from non-authorized individuals into areas where patients are treated. Healthcare facilities will also consider upgrading their existing access control software to new product offerings that offer greater analytical capabilities. Most hospitals are in no position to shut down their existing security applications as new security software is introduced, so a key differentiator will be the ease in which data can be transferred to a new solution without eliminating existing data or the outdated applications that are replaced. Subsequently, access control software offerings that offer more flexible, piecemeal upgrading processes will be preferred by these end users.

Many non-residential buildings are experiencing less traffic from building entrants during COVID-19 lockdowns that have implemented ‘stay-at-home’ orders for non-essential personnel. If these building owners have the financial capability to retrofit their systems during this time, it may be advantageous for them to do so when a renovation would cause a minimal disruption. Transportation facilities such as airports represent a significant opportunity as air traffic for global commercial flights has fallen over 60% over the past couple months. Many airports are devoid of passengers and could now invest in significant upgrades to their security infrastructures without impeding their operational capacity.

Finally, sales of electronic locks into the SMB and residential sectors should remain comparatively strong. Small business owners will consider investing in electronic locks and rudimentary access control systems to protect their unoccupied buildings during the course of a lockdown. Meanwhile, demand for residential ‘smart locks’ is expected to only be minimally impacted in 2020, as essential workers will continue to desire to protect their homes while they are at work and non-essential workers are expected to invest in this protection once they return to work in Q3 or Q4.



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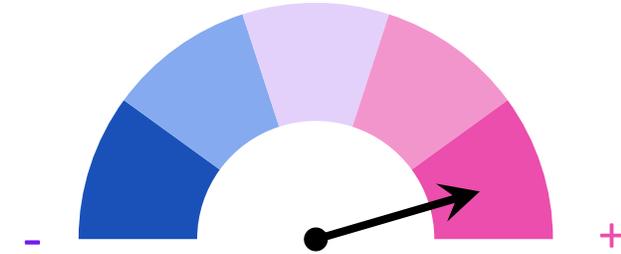
Analyst, Access Control

Opportunities for companies in the electronic access control market

Accelerating technological trends

- Avoiding viral transmissions through frictionless biometrics
- Leveraging and monetizing mobile credentials
- Opportunities with access control software

Potential revenue impact



The coronavirus pandemic will likely contribute to further acceleration in growth rates of sales of both biometric readers and a subset of those readers that are 'frictionless.' A frictionless biometric reader is defined as a device that is capable of scanning and processing a user's biometric data without requiring the user to pause at the reader and initiate physical contact with the device. The most common frictionless readers are facial and iris recognition readers, though in the past five years the market for frictionless biometric readers has expanded to include a new class of frictionless fingerprint readers that capture accurate 3D images of an entrant's hand whenever they wave their hand above the reader. The fastest frictionless readers can capture data from over 45 prospective entrants in one minute, enabling biometrics to replace traditional readers and physical credentials in highly frequented buildings.

The high cost of frictionless biometrics has previously discouraged adoption, but in the wake of the pandemic, an increasing number of end users may be willing to spend more to invest in equipment that does not require entrants to physically touch a reader. Fingerprint readers that require physical touch can act as vectors for transmission of viruses among entrants. Frictionless biometrics will experience increased demand from enterprise-level end users as a cleaner, safer solution that protects the health and wellness of building entrants.

For similar reasons, adoption rates for mobile credentials will likely increase over the next several years. Through the use of mobile credentials, prospective entrants can avoid touching an ID card or badge by simply downloading a mobile application on their personal smartphones. This will be particularly appealing for building owners of facilities that are frequented by visitors and temporary contractors. Most of these end users have attempted to save money by reissuing the same physical credentials to multiple entrants, but this practice may be viewed as unsanitary in the wake of COVID-19. Assuming mobile credential download rates accelerate over the next few years, vendors may find new opportunities to successfully monetize these credentials as separate and distinct product offerings from their physical credentials.



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Opportunities for companies in the access control software market

Even before the COVID-19 pandemic, access control software had been established as one of the fastest growing and most competitive markets in the electronic access control space. The coronavirus outbreak in 2020 will only further accelerate the trend to an increasing role for access control software as more retrofit projects will be driven by improvements to software platforms rather than installation of new hardware. Advancements with access control software over the past decade have had the potential to drastically improve the integrity and operational capability of access control systems, but most end-users have been slow to embrace opportunities and have been reluctant to invest in drastic changes to their existing security architecture. A repeated theme in the past has been that end-users have expressed interest in the use cases enabled by advanced access control software with machine learning and integration capabilities, but most have hesitated to invest to implement these features. Native integration capabilities with video management software (VMS) have gained traction over the past several years, but broader integration capabilities with other security systems and broader building domains have lagged behind.

The coronavirus pandemic presents challenges to end-users seeking to upgrade their existing access control hardware. Building owners associated with essential services will continue to ask their employees to report to work, but every additional installer or systems integrator present at their site will represent an additional potential vector for spreading the virus. Meanwhile, many non-essential businesses will seek to save as much money as they can in the wake of an unprecedented economic downturn. New hardware requires substantial investment in both the cost of the equipment itself, as well as associated installation and maintenance costs. By contrast, software platforms can be easily and remotely upgraded to enable new functionalities, including introducing remote access features, streamlined user interface improvements, customizable dashboards and advanced automated testing and data aggregation capabilities for security managers. Access control systems will also always remain at risk of exposure to cyberattacks, so many end-users will continue to invest in enhanced cybersecurity measures.

Over the next several years, access control vendors who prioritize improving and refining their access control software offerings will likely enjoy a significant market advantage over competitors who predominantly concentrate on hardware.



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Analyst, Access Control

Analyst profiles: Physical Security team



Oliver Philippou

Research Manager,
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Oliver Philippou, Research Manager, Physical Security – Wellingborough, UK

Oliver is a research manager for the Physical Security group at Omdia and leads a global team of analysts focused on physical security technologies, fire safety and systems integration. As the global lead research analyst for video analytics in video surveillance, Oliver focuses on artificial intelligence (AI), computer vision, facial recognition and city surveillance analytics. Oliver holds a MSc in Programme and Project Management from the University of Warwick and is based in the United Kingdom.

Jon Copley, Senior Principal Analyst, Video Surveillance – Northampton, UK

Jon is a principal analyst at Omdia. He works on its core video surveillance market intelligence service which includes global market statistics, market share analysis, regular forecast updates, and regular analyst commentary, blogs and insight. He also frequently publishes reports on topics related to the video surveillance market. Jon joined Omdia in 2001 and his views on the physical security market are regularly quoted in both the trade and international press. He is based in the company's UK office in Wellingborough, UK.



Jon Copley

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Josh Woodhouse

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Josh is one of the lead analysts covering the video surveillance industry at Omdia. In addition to his wider coverage of video surveillance technologies, Josh also leads research into body worn video and evidence management and enterprise storage used in surveillance. Further to the syndicated research portfolio Josh also provides custom research and consultancy relating to video surveillance and IT. He has worked with many leading camera, software and IT vendors on projects with Omdia. Josh is based in the company's office in Wellingborough, UK and he holds a BSc in Natural Sciences from the University of Birmingham. Josh has been with Omdia and researching the video surveillance industry for 8 years.

Analyst profiles: Physical Security team



Tommy Zhu

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Tommy Zhu covers the video surveillance market. His focus area includes mobile video surveillance, data center, cloud, IoT, and related applications in the field of video surveillance. Prior to joining the company, Tommy worked with manufacturers and system integrators in the broadcasting and television industry, in ICT project implementation and management roles, for several years. He holds an M.B.A. from the University of Georgia, U.S., and a Bachelor of Engineering in automation engineering from Communication University of China. Tommy is based in Shanghai.

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Anna is a senior analyst focusing on a range of physical security and building technologies. She leads the research for Intruder Alarms and Remote Monitoring Services Intelligence Service. Previously, she has managed Smart Buildings and Lighting Intelligence Services and covered a variety of other technologies including: ANPR and detection sensors, cloud-based access control, door automation, and explosives, weapons and contraband detection equipment. She holds a Master's degree in Intelligence and International Security and a Bachelor's Degree in International Relations and Security Studies.



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Bryan is the lead analyst for Omdia's Access Control Intelligence Service. He has written extensively on various electronic access control hardware and software markets and has also previously written research on building automation equipment, smart buildings, building management system (BMS) platforms and HVAC equipment. He holds a Master's degree in Law from Georgetown University in Washington DC, and a Bachelor's Degree in Political Science.

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