

EXPECTING MORE GROWTH THIS YEAR

By Ralph C. Jensen



Michael Kaplinsky Scott Schafer

Every so often, I get lucky and find myself at the right place at the right time, hopefully doing the right things. For many years I've experienced this within the security industry. Being able to talk one-on-one with a company CEO is an example of three right opportunities.

I had the chance to visit with Michael Kaplinsky, CEO and co-founder of Arecont Vision, and found him willing to talk about the industry, his products, the ISC West experience and what he expects will happen in the near future.

I sat down with Kaplinsky and Scott Schafer, Arecont's executive vice president of sales, marketing and services, to get the latest updates.

JENSEN: Megapixel cameras and the technologies that drive them are evolving at a rapid pace. What do you see as the next big development relative to megapixel cameras, with specific reference to image resolution, storage capacity and processing?

KAPLINSKY: In general, the new megapixel products evolve from users' needs to address existing problems. What we continue to hear from the market is the need to capture more detail, and Arecont Vision continues to respond with new products, like our 20-megapixel camera that meet this prevalent demand.

Today's megapixel cameras provide more details that you can see [with the naked eye]. There are some compromises because the current resolutions come with lower-size pixels, so sensitivity is not that great; but, with the current resolutions, you can zoom in more and you can see more of the forensic details. As megapixel imaging technology continues to evolve, new cameras will provide even higher resolutions.

Today, Arecont Vision offers many megapixel cameras that have a single sensor and 20-megapixel panoramic cameras that have multiple sensors. There are already 18-megapixel cameras on the market, so obviously this is one direction we will take. Another direction is multi-sensor products like our own megapixel camera because they require no motion to observe a complete 360-degree panoramic view and essentially replace pan, tilt and zoom. This product is easy to install versus multiple cameras because it's still one camera, one IP address, one cable, one solution and one license for the coordinate software. There also could be other features added, such as high dynamic range. HDR offers dark and bright details at the same time, such as in a bank lobby, where you want to see what's in the room, which is illuminated by the lower light, and you also want to see what is outside that is illuminated by the sunlight.

JENSEN: More discussion is taking place as to whether system intelligence should reside on the server level or on the edge. We are hearing different schools of thought from VMS suppliers and camera manufacturers. What is your vision on intelligence residency?

KAPLINSKY: Our position has consistently been that sophisticated analytics doesn't really belong on the camera. I've been saying that for many years now. The way I see it is that you are multiplying the cost of the intelligence by embedding it in all your edge devices rather than in a central server-driven system. In addition, not all cameras require intelligence or require the same level of attention.

I also do not believe that users will delegate the decision as to what a camera transmitter doesn't transmit. I think as you address the mainstream surveillance market, this is just premature.

JENSEN: Arecont Vision is one of the few U.S.-based camera companies. How has this impacted your business?

KAPLINSKY: It actually has provided us with quite a few advantages. One of the great advantages is the introduction of new products because our contract camera board manufacturer is within driving distance from our facility. Assembly of the product is completed at our Los Angeles facility. When we need to make adjustments on our products, we can react quickly. In fact, we can send our own personnel there to monitor the process and participate in the fine-tuning.

This allows us to control the supply chain. If there are shortages, we can become involved and monitor the progress of getting product to our assembly unit; and from a government customer's perspective, "Made in the U.S.A." is not a bad thing.

JENSEN: Is the demand for megapixel cameras gaining traction globally, and are there specific geographical regions outside the United States where they are in most demand?

KAPLINSKY: Quite frankly, we see megapixel usage growing around the world. We have an office in China, an office in Frankfurt, Germany, and an office in Russia; and we see roughly equal growth. We see seasonal changes, and Europe is a little slower lately, presumably because of the financial crisis attached to that region.

SCHAFFER: I think that if you look at the global opportunity, roughly one-third is in the Americas; one-third in Europe, Middle East and Africa; and one third right now in Asia/Pacific.

The Asia/Pacific market is growing right now at a faster rate. For us, the market opportunities may be equivalent to all three regions. The upside for us is the stronger market in EMEA and Latin America. These are the areas we are making investments in and putting more people on the ground.

JENSEN: How successful have Arecont Vision's surround 360-degree cameras been to date? Are there any specific applications or markets where they have been most successful?

KAPLINSKY: We don't really differentiate between 360- and 180-degree cameras. I know they are different products, but they have similar applications. We call them multi-sensor panoramic cameras; so when we look at that segment of our product as a whole, they now roughly count for 25 percent of our business. They have been very successful.

SCHAFFER: We see more applications for the 180-degree panoramic camera, but for the 360-degree camera, we see a ceiling mount in a lobby or big room as the primary applications. A factory floor or warehouse are also very good applications for the 360-degree panoramic camera.

We just did an install at a trade show floor in the Middle East. They had four halls and wanted every square foot covered. The original design was for 24 standard-definition cameras per hall. We had the project re-architected and found we could do it with eight 360-degree cameras and five megapixel single-shot cameras. So instead of 24 cameras, we were able to meet the user's surveillance objective using only 13 cameras.

The resolution was much better, and the cost is much lower. The user saves money by using fewer cameras, reduces installation costs, spends less in NVR licenses, has fewer network runs, less cabling for power and everything else.

JENSEN: What new megapixel imaging and/or processing technologies will Arecont Vision be introducing in the near future, or even this year?

KAPLINSKY: In the near term, we will be releasing a low-cost high dynamic range camera, plus the addition of a remote-focus camera. Later in the year we will consider the release of a higher resolution, single-sensor camera. There are some other strategic developments, but I guess we'll talk about that the next time we meet.

JENSEN: Are these the products that you will be introducing at ISC West?
KAPLINSKY: At ISC West, we will be introducing a wide dynamic range camera. The new sensors that we use have dual capabilities. It's going to be unique in the

sense that it's going to have a cost point significantly lower than the existing camera or competing products on the market.

We're going to introduce a new generation of our MegaDome camera, which is one of our dome products. It will have infrared capability and remote focus and some other bells and whistles.

JENSEN: What steps or programs has Arecont Vision initiated to ensure the growth of the company?

KAPLINSKY: We are a very profitable company. We have experienced a 25 percent revenue growth in 2011, so we continue to engage the process of expanding our product lines and increasing our presence in international markets. We are hiring more people in Asia/Pacific, and we have hired more people and continue to hire more people in Europe.

We are increasing our educational programs and our advanced educational classes, which we call CPCP Advanced.

SCHAFFER: We are involved in distance learning classes, so we're investing in that technology, as well. We have redeveloped our website, which will provide more and better access to data for our customers—not only spec sheet, data and price information, but also presentations and video clips, case studies and business cases for solutions.

We are investing a lot in our quality programs and in our support infrastructure, as well. We are a small company getting bigger, and we're making the appropriate investments in our future.

JENSEN: Why do you not see Arecont Vision branching out beyond megapixel cameras?

KAPLINSKY: We don't in the immediate future. There is still a lot of potential in our immediate area, which is megapixel surveillance products. The market is growing and deploying megapixel surveillance solutions at a record rate. I personally believe that one should grow with what one does best.

So, rather than trying to compete with others on peripheral products or other product software, we are trying to expand our activities where our core product is.

JENSEN: If you had the opportunity to give your perspective on the future of video surveillance to every security or surveillance key decision maker—in 30 seconds—what would you say to them?

SCHAFFER: First of all, there is a huge opportunity for customers to move to megapixel technology. The images that are provided are fantastic. It is clearly a better model for those people who are watching the security of their companies or organizations.

For the first time, you can pick up a face or a license plate with clarity. Those things that end users have wished for in years past are now within their grasp. That is one of the things that is very important.

The challenges of the past relative to network bandwidth and storage have really been overcome to a great degree by our compression technology, like H.264 that limits the amount of network bandwidth required for storage on the other side.

That was one of the challenges: If you have 10 times the amount of images, you'll need 10 times the storage—but that challenge has been resolved to some degree.

The other thing is the way customers can now deploy fewer cameras, using half the number of cameras to cover the same scene with much better resolution. There is a huge return on investment for the customer, not only in the camera but also the savings in the network infrastructure, the systems and storage, as well as the way people can monitor the systems.

Instead of looking at 24 cameras, now looking at 11 or 15 cameras is much easier because you don't have so many things in front of you to be worried about.

For all of those reasons, megapixel technology is ready now. We have seen a number of the biggest companies on the planet moving to megapixel technology, not just in experimental ways, but in full rollouts. The smart and tested integrators in the market have also invested in the education of their salespeople, their design people and their services people to make sure they can roll the megapixel camera out with a great benefit to their customer base.

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