

Power Shifts to Asia

Globally, heads are turning toward Asia. Emerging markets like China and India have cushioned the region from the worst of the economic impact. The latest forecasts from the Asian Development Bank (ADB) reported that Asia is set to lead the world out of the global financial crisis. The region's GDP will grow more strongly than expected, both in 2009 and 2010, at 3.9 percent and 6.4 percent, respectively.

"The balance of power has shifted to be in favor of Asia, and we are lucky to be here," said Ricardo Ebri Sambeat, GM of China for Fermax Electronics.

"The region will fuel exciting growth opportunities in the coming years, especially with the phenomenal growth experienced in China and India. The importance of Asia is evident from the recent Asia-Pacific Economic Cooperation conference, where the U.S. reaffirmed their active engagement in the region," said Terence Lee, Director of Product Management for APAC, Ingersoll Rand Security Technologies.

The access control market, comprising contactless proximity cards and readers, keypads, biometrics, controllers, and integrated readers and software, was estimated in the range of US\$800 million to \$1 billion in 2008, said Parul Oswal, Industry Analyst for APAC, Frost & Sullivan. It is expected to grow at an annual rate of more than 20 percent, year on year from 2008 to 2015.

Video surveillance, including cameras, video servers, NVRs, DVRs and surveillance software, was estimated at over \$1 billion for 2008, which will grow by five times by 2015 at an annual rate of more than 23 percent, Oswal said.

STRATEGIES AND TRENDS

With Asia taking center stage, marketing and educational efforts have been localized. "We are advertising in nine languages and will be exhibiting at 28 trade shows (19 more indirectly) in 2010," said Raúl Calderón, VP of Marketing for Arecont Vision.

For local manufacturers, admirable efforts to keep up with international standards and products make for daunting competition. "We send our R&D personnel to trade shows worldwide, so they can experience

firsthand on what's truly demanded, return to the drawing board, and design features that fulfill these needs," said Michael Chen, Overseas Marketing Manager of Dahua Technology.

Partnerships and acquisitions blossomed in every direction, indicating that the quickest way into Asian markets is through strong local partners. For example, Bosch recently partnered with Hochiki to penetrate Japan's IP surveillance market. In India, a joint venture between EverFocus Electronics and Rasan Infocom paved the way for focused development.

More production lines have moved to China in 2009, as major manufacturers such as Panasonic and Bosch lead the trend. "Our Zhuhai factory alone is responsible for 30 percent of our global output," said Alex Blome, VP of APAC at Bosch Security Systems. "Dedication to customer satisfaction has made significant performance improvements in the last 12 months. We've achieved an average repair turnaround time of less than two days."

KEY COUNTRIES

Among the APAC countries, India and China are forecast to grow the fastest, with an average annual growth rate of 15 to 19 percent, said Blake Kozak, Market Analyst for IMS Research. Key verticals include health care, government, airports, seaports and utilities.

The ADB report stated that China's growth increased to 7.9 percent in the second quarter of 2009, and that the improvement was mostly driven by investment. Global market research also showed that, by 2018, China is forecast to be the second largest market, said Roni Klein, VP of Sales for Verint Video Solutions APAC, Verint Systems. Lee added that, "The government's \$586-billion stimulus package will place the country as the first



major economy to emerge from the global recession."

In both India and China, import tariffs present real challenges, albeit for different reasons. India's import duties are prohibitively high and weigh heavily on international suppliers. Local competition, however, is scarce.

Import tax is always a challenge for international trade, but the biggest challenge in China is the well-established local manufacturing of analog equipment," said Ray Mauritsson, CEO of Axis Communications. Additionally, local companies have invested heavily in R&D. "About a quarter of our personnel are R&D specialists, and we will leverage our vertical-specific solutions and experience to further expansion," said Francis Jing, International Sales Manager for Tiandy Tech.

India is forecast to grow by 6 percent in 2009 and 7 percent in 2010, according to the ADB. The country's Union Home Minister recently confirmed that its homeland security budget will increase by 35 percent, accumulating to \$29.5 billion from 2009 to 2010, Klein said. (For more information on the Indian market, please refer to the Market Update.)

The ADB also pointed out that economic growth in Southeast Asia was projected to slow to 0.1 percent in 2009, because recovery in Indonesia and Vietnam did not offset worsening conditions of Malaysia, Thailand and smaller economies. However, the Thai government's overall annual spending in security is still expected to grow between 5 and 10 percent, Klein said. The new economic stimulus plan of \$3.3 billion underlies huge business opportunities in airports, seaports,



▲ This year, many international companies have moved their production lines to China, including Panasonic and Bosch Security Systems.

infrastructure, tourism and retail sectors.

RISING VERTICALS

Most governments throughout Asia, from China and India through to Korea, Thailand and Australia, are offering stimulus packages, Blome said. Although forecasts have been optimistic, effects of the weak economy can still be seen.

There have been instances where budgets have been withheld, projects postponed or requirements respecified, said Koen Rommel, VP of Sales for China, Bosch Security Systems. "Coupled with increasing price sensitivity and local competition, the first two quarters of 2009 were somewhat slow. The third quarter, however, started to see many projects back on track, including railways, airports, power plants, stadiums, apartments, office buildings, industrial parks and city surveillance projects."

"There have been several surveillance projects of note this year, including the Beijing Metro, Seoul Metropolitan



▲ Ricardo Ebri Sambeat, GM of China for Farnex Electronics



▲ Parul Oswal, Industry Analyst for APAC, Frost & Sullivan



▲ Raúl Calderón, VP of Marketing for Arecont Vision



▲ Michael Chen, Overseas Marketing Manager of Dahua Technology



▲ Alex Blome, VP of APAC at Bosch Security Systems



▲ **Roni Klein**, VP of Sales for Verint Video Solutions APAC, Verint Systems



▲ **Francis Jing**, International Sales Manager for Handy Tech



▲ **Koen Rommel**, VP of Sales for China, Bosch Security Systems



▲ **Alastair Hayfield**, Research Manager, Video Surveillance and VCA Group, IMS Research



▲ **Jack Lee**, GM of China for Honeywell Security

Metro, Taipei City, Bangkok City, Sydney suburban rail, and Macau's City of Dreams," said Alastair Hayfield, Research Manager, Video Surveillance and VCA Group, IMS Research.

Investment for the Chinese market is beginning to move from Tier-1 cities, which experienced high growth, into Tier-2, -3 and -4 cities. "We've recruited a significant number of sales representatives, and added local branches in all major Tier-3 and -4 cities. China's residential market is promising," said Jack Lee, GM of China for Honeywell Security. Ebri agreed, adding that real-estate developments in the east coast and southwest region of China have fueled growth in intercom sales.

Though IP is in the air, China is still very analog-focused. Currently, the Safe City project, public transportation and hotels are the few noteworthy IP users. "In 2010, IP will be a big focus in China," said Mads Bo Frederiksen, Territory Manager for Asia, Milestone Systems.

The government of India has launched possibly the world's largest biometric-based national identity program, establishing a new agency tasked with creating a national ID database for the country's 1.2 billion citizens, said Walter Hamilton, Chairman of the International Biometric Industry Association and a Senior Consultant with Identification Technology Partners. This initiative includes an ID card with a unique number, photo and biometric data.

PRODUCT NEEDS

Frost & Sullivan's recent "Strategic Assessment of the Asia-Pacific Wireless Video Surveillance Markets" report stated that wireless penetration and developed infrastructure have created a significant market in APAC.

However, finding channel partners proficient in both network technology and physical security proves to be challenging. "This is why we've launched our IP certifi-

cation program. We will invest more sales and marketing efforts in furthering our IP growth in 2010," Rommel said.

It is not easy for end users to abandon existing systems and switch to IP. "For this reason, we propose hybrid solutions so users can enjoy IP's benefits and still use existing systems," said Katsunari Matsuoka, GM of IPELA Marketing Department, Marketing Division, B2B Solution Business Group, Sony Corporation.

VIDEO SURVEILLANCE

Transportation, government, financial services and insurance were seen as the top revenue generators, Oswal said. By country, the largest shares are attributed to China, Japan and South Korea.

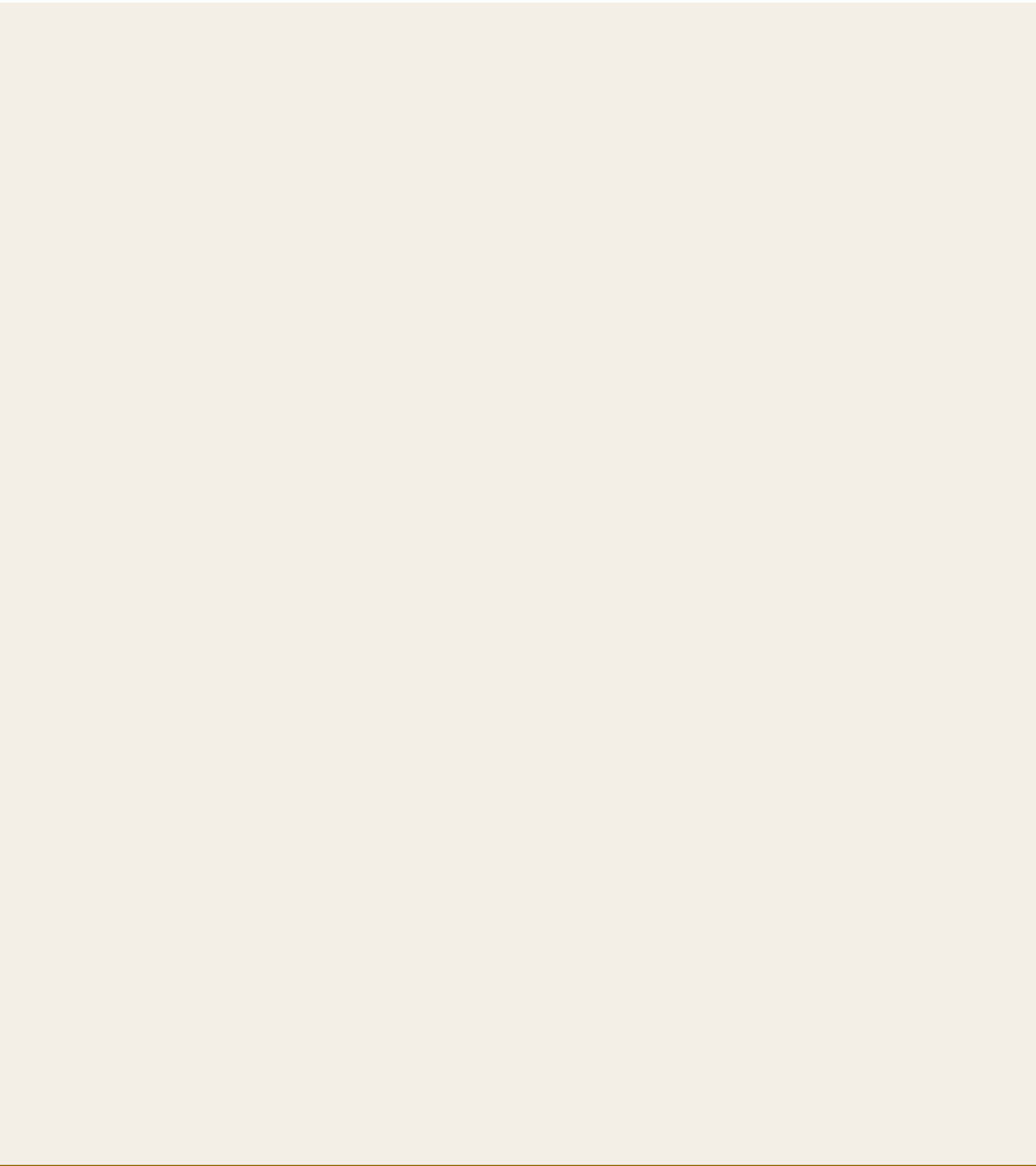
Early adoption and fast pace in Asia have resulted in great growth in megapixel technology, HD cameras, mobile surveillance terminals that automatically connect to WiMax networks, built-in analytics for DVRs and increased adoption of NVRs.

"Consumers are becoming more IP-savvy and value-minded, so we recently introduced our ready-to-use system — one compact camera with 16-channel recording and free surveillance software," Blome said.

Efforts have been made to assist the analog-to-digital migration. "Our video encoders make it easier for customers to operate analog and network cameras on the same platform," Matsuoka said. "In 2010, we will focus more on HD development and IP devices."

For storage, DVRs remain popular, with value-added features such as built-in analytics getting traction. "Our new stand-alone DVR embedded with analytics offers operational advantages to banks that manage thousands of branches daily," said Romeo Kwok, CFO and Senior VP of BlueStar SecuTech.

IP users are also showing interest in NVRs, and camera manufacturers are careful to prioritize compatibility with





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multiple NVR brands, Calderón said.

ACCESS CONTROL

Lack of regulations and standards and relatively high prices discourage potential buyers of access control equipment, Oswal said.

China, Taiwan, Australia and New Zealand are seen as the major revenue generators for access control, Oswal said. Proximity card reader systems are estimated to account for more than 30 percent of the market, followed by keypad readers. While contactless smart cards had the lowest revenue contribution in 2008, they are expected to exceed keypad readers by 2011, and double the growth by 2015, Oswal continued.

In keeping with reducing price points, Bosch released scalable entry-level solutions for SMBs. "Customer feedback from road shows in China, India and Malaysia has been very positive," Blome said. An additional Web-based control system gives users more options and enables a range of features to be integrated into the system, even by users with relatively little IT knowledge, Blome said.

For residential projects, uptake in wireless access control systems has been visible. "These systems can be remotely accessed via the Internet or Web-enabled devices, including mobile phones," Lee of Ingersoll Rand said. Home automation systems will grow hand-in-hand with expansion in the residential sector.


INTRUSION DETECTION

Polarity can be seen in the intrusion detection market. Local manufacturers opt for less demanding verticals. "Intrusion detection is still a developing technology, and, therefore, our focus is on the residential market, which is less critical and demanding," said Ken Li, GM of Chuango Electronic. "More than 90 percent of our sales are generated from alarm-monitoring companies."

International competitors have taken up a different focus. "We thrive on selling systems, which set us apart from our competitors who specialize in either panels or intrusion detectors. We sell to the professional market," said Peter Harries, Sales and Marketing Director of Texecom.

VERDICT FROM THE EAST

With the economy still far from stable, price-consciousness often leads to cheap and low-quality product purchases. "Systems that do not fit or are lacking in requirements represent a threat in this region," Blome said.

The region, however, is becoming more globalized. Businesses from all corners of the world are flooding in, and opportunities for growth are endless. "It is extremely critical that governments coordinate and execute their strategies well, so that the recovery is balanced, inclusive and sustainable," Lee of Ingersoll Rand said. 



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