



Impact of **COVID-19** on the Security Industry

A system integrator study on the implications
of technology toward business resiliency

Introduction

With economic recovery top of mind, businesses embrace new technologies to facilitate safe operations

The effect of the COVID-19 pandemic has been swift and dramatic, with businesses across the United States and the world grappling with the challenges posed by the new social and economic reality. The security industry is no exception, and although security integrators were classified as essential critical infrastructure workers, the global crisis has had clear repercussions on the industry. The resiliency of security integrators and the role of IP technology have become important factors in this new world, and understanding the pandemic's repercussions and the effect they have had on both short-term goals and long-term ROI will be critical to moving the security industry forward.

In order to better comprehend the impact that COVID-19 has had on the industry, Axis Communications conducted a partner survey to identify clear action steps as businesses emerge from the pandemic. The objective of this survey is to gain firsthand insight into the current market environment as it relates to the COVID-19 crisis, as well as examine predictions about the future market, from the perspective of our integrators. The survey seeks to gain insight on the concerns and challenges facing businesses amid the pandemic and identify ways that technology can facilitate a safer and more successful reopening and provide long-term, sustainable business advantages.

Executive Summary

Survey respondents indicated anxiety over the economic recovery, which was repeatedly referenced as a top concern for both integrators and their customers. Nearly half expect revenues to decline in the short term, while less than a quarter expect growth. Changes in process and workflow were reported by most respondents, who indicated that both they and their customers have been challenged by the shift to remote work and economic anxiety that have accompanied the COVID-19 pandemic.

This has translated into an increased willingness to embrace both internet protocol (IP) technology and artificial intelligence (AI), as both partners and their customers expressed clear interest in technology capable of helping address the crisis now and into the future. With financial recovery and employee safety as priorities for businesses, many have begun to explore new technologies capable of assisting with both goals.

Quality of life improvements such as improved remote work capabilities, social distancing enforcement, and access control are viewed as the sort of technologies vital to a successful reopening. Temperature screening, and the potential use of thermal cameras in this effort, was mentioned by many survey respondents. However, most acknowledged that thermal camera technology has circumstantial and environmental limitations with regards to its use for fever detection and mass temperature screening. What's more, many respondents also note that thermal cameras lack FDA approval for this purpose. Nonetheless, thermal cameras and temperature screening remain an area of inquiry from their end-customers.

What is clear is the need for ongoing support as partners and customers embrace new approaches to security, with strong customer support viewed as essential. The COVID-19 pandemic has posed considerable challenges for businesses across the globe, but the following survey results indicate the potential benefits that new technology and better partner support can have on a safe and successful reopening.



Methodology

The partner survey was conducted via online questionnaire during August 2020. The survey utilized primary research methodology and recognized techniques and best practices to encourage full participation and completion, provide high-quality responses, mitigate biases, and validate data. The survey was not intended to be a random sample—rather, it was intended to be an in-depth study on partner integrators across multiple segments. The results carry the credibility of a significant population of reputable businesses with strong partner relationships.

The respondent pool represents business leaders from across the United States that operate in a range of industries including transportation, hotels, stadiums, education, government, retail, healthcare, and law enforcement. Of the respondents, 95% were systems integrators, an industry-critical role that serves as an expert link between manufacturers and customers. In addition, all respondents are participants in the Axis Channel Partner Program and therefore represent a dedicated and active group of security industry system integrators.

Most respondents work with medium businesses (74%), but most said they commonly engage with large (52%) and small (51%) businesses as well. Most (71%) have under 100 employees, but 20% employ between 100 and 1,000, while 8% employ 1,000 or more. Finally, the majority of respondents were business owners, while other common titles included President, Vice President, and Director. Most respondents were in decision-making roles, though some were in engineering and sales positions.

Impact of COVID-19 on Business Operations

It is critical to understand how businesses have navigated during the pandemic. Have they been able to function amid local and state regulations? What impact did COVID-19 have on business operations?

Asked whether they were able to continue to work on projects amid the COVID-19 restrictions, the responses were encouraging. The vast majority (70%) said they have continued to work the entire time. A smaller number (21%) said they were able to continue in a somewhat limited capacity, and 8% said they have continued their work, but were not able to do so initially.

Unfortunately, the pandemic had a clear negative impact on overall business, with 53% of respondents indicating that they saw their business decrease. Another 31% said their business remained unchanged, while 16% actually saw increased business. Given the broad range of geographical locations and industries served by the respondents, this variability is unsurprising; however, the clear downward trend for the majority of businesses raises obvious concerns, and reflects the current U.S. economy and business landscape.

“We are asking our client base what they are seeing and what they need from us to help them reach those goals. It has always been our philosophy to create more opportunity for our company by listening to our customers and providing them with the services they need most.”

— Partner response

Identifying Top Concerns Among Security/Business Leaders

The survey's next questions sought to explore what respondents' major worries surrounding the pandemic are. Understanding the current and future challenges that businesses face amid this unprecedented situation will help the security industry make the appropriate adjustments.

Asked what their biggest business concerns are amid the COVID-19 crisis, issues like overall economic recovery (67%), supply chain management (49%), losing customers (37%), and shifting business models (30%) rose to the top. Other issues, such as cybersecurity (13%) and the business's ability to invest in the future (15%), received less attention, but were mentioned in open feedback as important factors to consider (Figure 1). Respondents cited other specific concerns as well, including the lack of networking activities and the challenge of managing employee safety. Nearly every respondent indicated that they have experienced some challenge in the areas of general economic recovery and supply chain management. Encouragingly, most reported little difficulty in enabling remote work or complying with new government and industry regulations.

These responses highlight a clear sense of anxiety about the state of the market in general, and the fact that general supply chain issues persist many months into the pandemic bears watching. Businesses are understandably worried about the shape of their business, such as whether customers will be lost, layoffs will be needed, or further digitization will be necessary; however, it is promising that few integrators cited the shift to remote work as a major challenge.

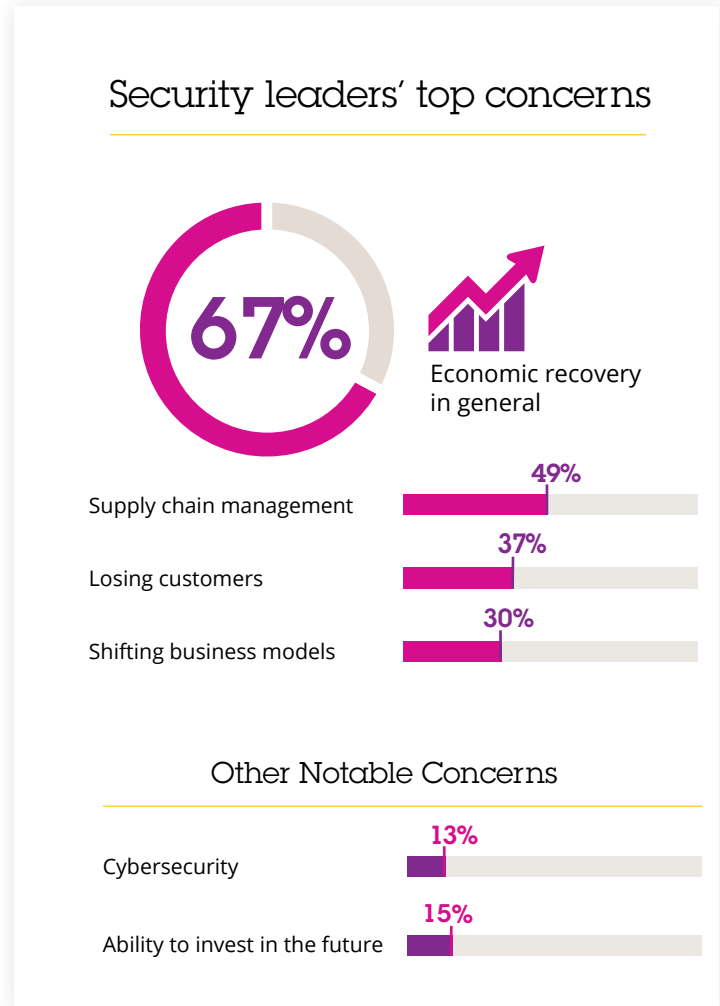


Figure 1



Identifying Top Concerns Among Customers

Understanding the challenges faced by security integrators is a critical element of responding to the COVID-19 pandemic, but it is equally important to understand the challenges and concerns faced by their customers. The survey included several questions designed to gain an impression of which challenges integrators view as highest priority for their customers, and what can be done to help mitigate those concerns moving forward.

Respondents indicated that the most common concerns cited by customers were economic recovery in general (57%), human resources issues, such as layoffs (43%), and their ability to function remotely (42%). Other concerns, such as their ability to comply with new regulations (35%), cost of ownership for long-term investments (25%), ROI for short-term investments (21%), and losing customers (24%) were also commonly cited (Figure 2). Regulations appear to be a larger worry for customers than for the integrators themselves, and they are understandably concerned with both short-term and long-term ROI. Since long-term investments have an impact on relationships with suppliers, it is unsurprising to see that reflected here.

The survey also sought to identify customers' primary challenges when it comes to keeping both their employees and their own customers safe. Asked what they view as their customers' primary concerns, respondents cited

issues such as the difficulty of working remotely, security threats (including ransomware attacks), worries about accidental contamination and cross-contact, and the need for technology to assist with reopening.

Specifically, Axis partners mentioned increased demand for technological solutions including, contactless equipment and personnel monitoring, all of which can be accomplished using cameras and sensors. Respondents were presented with specific challenges and their potential technological solutions and asked to rank their priority for customers on a scale of 1 to 5, with 1 being the least important and 5 being the most important. Contactless entry solutions and tools to lower personal contact/exposure were understandably the most highly rated, with crowd and queue management, tools to identify and reduce high traffic areas, and audio reminders to socially distance also highly rated (Figure 3).

Interestingly, when it comes to customers concerns, the survey responses showed a larger segment breakdown than in other areas. Respondents servicing the healthcare industry showed a higher level of concern with human resources and complying with regulations, while those in retail were highly concerned with human resources, supply chain management, and losing customers. While these responses remain within range of the average, it is important to consider the ways in which the COVID-19 pandemic has impacted specific industries.



Figure 2

To reduce COVID-related risks, security professionals cited the following concerns as being increasingly important for end-customers to address:

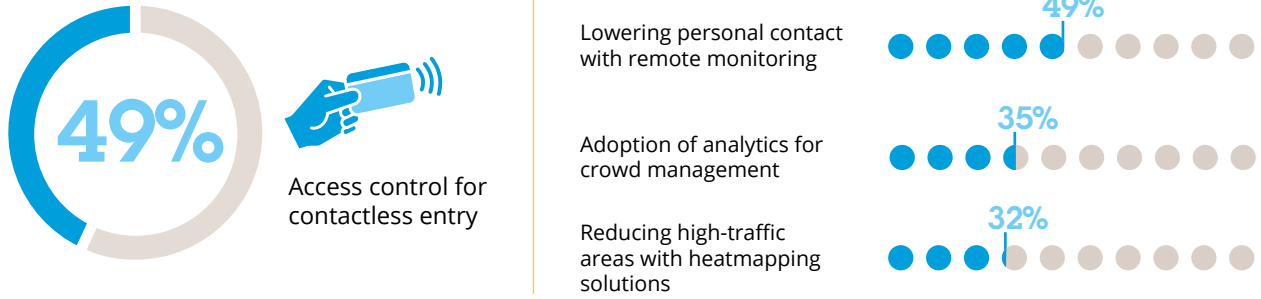


Figure 3

How the Crisis is Driving Technology Adoption

While gauging the impact of the COVID-19 pandemic on businesses is critical, it is equally essential to identify the plans integrators plan to take in the future. The next set of questions was crafted with the goal of identifying which technologies integrators view their customers being more likely to accept in the future.

IP technology was a clear favorite, with 58% of respondents viewing end-customers as likely or very likely to be more willing to explore IP-based solutions. Similarly, 45% of respondents indicated their belief that acceptance of artificial intelligence will accelerate (Figure 4). On the privacy front, 54% viewed it as somewhat unlikely or not likely at all that end-customers (and their customers) will be less sensitive to privacy issues following the pandemic. Asked to explain these answers, many cited the fact that access control and person tracking technology will require IP connectivity, as well as the fact that the need for automation has grown. Increased demand for IP technology and cloud storage were also cited, as well as the need for analytics to help decrease liability through crowd control, social distancing, and other measures.

There is a clear indication that integrators believe AI and IP technologies are likely to gain wide acceptance among both themselves and their customers, and that they view

modern video technology as a major asset when it comes to reopening, with specific tools like access control, video analytics, and thermal cameras receiving specific attention. As the "reopening applications" for solutions like contactless entry, on-demand audio recordings, and occupancy analytics become clearer, businesses' willingness to embrace these new technologies will become increasingly important.

Increased potential and acceptance of AI and IP technology

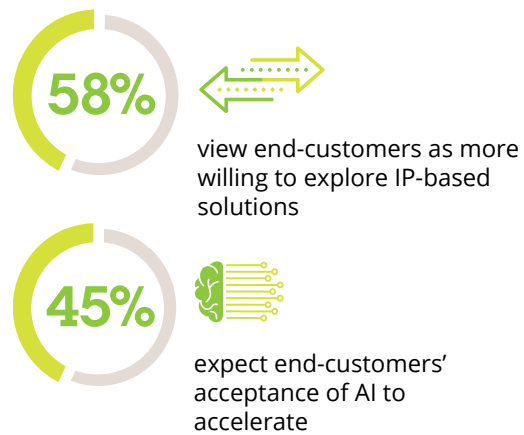


Figure 4

Developing New Ways of Working

How businesses are adapting to COVID-19 to remain resilient

Navigating the COVID-19 pandemic has required many businesses to adopt new ways of thinking—including those in the security industry. Many of the partners surveyed indicated that they have had to develop new ways of working to accommodate the changes brought on by the crisis.

Unsurprisingly, the most common changes included changes of sales processes (45%) and changes in service delivery (38%)—likely driven by the limited ability to meet and work face-to-face with clients and customers. Other frequent responses included digital transformation of workflows (28%), new network setups (28%), new partnerships (23%), delayed payment options (20%), and new pricing models for customers (19%). Just 21% indicated that they have made no changes, while a small percentage cited other, more specific changes, such as competing with pop-up businesses selling cheap, but inferior products and employees taking on new roles to replace laid off coworkers.

Asked to detail the new processes, respondents touched upon a number of key areas. Increased emphasis on video conferencing, a shift toward cloud-based and remote management systems, and changes in sales activity were common talking points. Some felt that the lack of commute served to make employees more productive, while on the negative side the lack of site visits was seen as a major drawback.

The survey responses indicate that process changes have been widespread throughout the industry, especially in sales and service delivery. Though not insurmountable, the shift to remote work has posed significant challenges, and the lack of site visits has impacted the security industry harder than others; however, cloud, VPN, and remote management systems are on the rise as businesses work quickly to adapt to the new situation. While some have indicated frustration with the need to keep up with constantly changing regulations, others have heralded the opportunity to work more closely with customers to understand their specific needs.

Which Changes are Here to Stay

Given the number of process and workflow changes that have come about as a direct result of the COVID-19 pandemic, it is important to gain a fuller understanding of how long businesses anticipate those changes remaining in place. While some partners view them as temporary and expect them to be lifted once the pandemic is over, others see them as more permanent in nature.

Most agree that the mandated use of personal protective equipment (PPE) and other healthcare regulations are likely temporary, but expect them to remain until a COVID-19 vaccine can be found. Many also cited a belief that an increased emphasis on employee and customer health is likely to continue even as specific restrictions are eased. Remote work is widely viewed as more permanent, and an increase in remote sales meetings and other virtual communications seems likely to persist.

Unfortunately, fears about the strength of the supply chain remain widespread, and multiple respondents cited concerns that supply chain issues are here to stay. This risks leading to a more permanent focus on protecting the product supply, and a focus on short-term projects with greater security—a marked shift for the industry. The need for businesses to not only work to secure their supply chains, but reassure customers that they have done so, is clear.

“[We are] using more collaboration software to improve client and staff communications, virtual job walks, share product knowledge, and communicating ever changing requirements to the team.”

— Partner response

Looking to the Future

Although most respondents indicated that they have continued to work amid the crisis, a plurality (47%) said that they expect a decrease in revenue in FY2020 compared to FY2019. Twenty-three percent said their revenue will be largely unchanged, while another 23% indicate that they actually expect an increase in revenue. While the negative impact of the virus seems clear, it is interesting to note that there are a significant number of edge cases that have found success amid the difficult situation.

Many security integrators are asking themselves what they can do to support partners and their customers, and survey respondents put forth a number of specific suggestions. Continued development of automated solutions was requested, as well as an increased focus on technology capable of assisting with the reopening process, as this technology is viewed as likely to become the “new normal.” The need for helpful and responsive tech support was emphasized, along with the need to keep replacement devices available and otherwise maintain the supply chain.

“We were always remote work compliant and fully cybersecurity hardened. The problem is the dramatically reduced workload and reduced demand for services and product which required a reduction in staffing.”

— Partner response

Respondents also indicated the need for increased online training, as well as a desire to be kept informed on new solutions as they become available.

The need for continued education and support is clear, as is the focus on technology specifically applicable to the pandemic response. Automation, analytics, and touchless technologies will likely continue to be in high demand, and maintaining their steady availability and continued maintenance and support will help ease the burden on integrators moving forward.

Conclusion

The fallout from the COVID-19 pandemic has been widespread and often difficult to gauge. This survey of Axis partners was intended to shed light on the issues facing businesses in the security industry and their customers, as well as their willingness to embrace modern technology capable of mitigating those concerns.

The results were striking. Economic anxiety remains commonplace throughout the market, as respondents indicated ongoing concerns regarding the economic recovery from the COVID-19 pandemic; however, that anxiety has ultimately translated into an increased desire to facilitate a safe and secure reopening. Accordingly, most indicated an increased willingness to adopt AI and IP technology capable of helping that reopening move forward.

There is a general belief that remote work will persist even after the end of the pandemic, and while the expectation is that PPE and other health restrictions will be eased, technology like access control and contactless entry will likely be here to stay. Businesses and their customers will both require a strong supply chain and continued support from suppliers and manufactures to ease this technological transition, but their willingness to embrace change paints a hopeful picture for the future.