

Uncertain Times Help Refocus Security's Future

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In 2009 and beyond, ADT sees five worldwide trends which will help refocus demand for security solutions:

1. **Rising Crime in Hard Times**
2. **Continuing Emerging Market Growth**
3. **Globalization Shrinking the World**
4. **IT Convergence Driving Systems Integration**
5. **Innovative, Cost-Effective Applications & Managed Services**

Rising Crime in Hard Times

History shows that crime rises as GDP falls. In the U.S., the last four recessions back almost 30 years show sharp upticks in crime started at the bottom of each recession. Since most economists think today's downturn will be longer and deeper than these, we can expect crime to rise through 2009 and 2010, driving commercial security needs. But given the recession, security solutions must stress the value of protection, tied to financial benefits. Examples are potentially reduced risk with lower insurance costs and less shrink of or damage to physical assets. Another is potentially less chance of business disruption especially that due to workplace violence, which is a growing concern of employers.

Continuing Emerging Market Growth

Emerging market growth led by Brazil, Russia, India and China, the so-called "BRIC" nations, will continue despite the slowing world economy. The quarterly World Economic Outlook, published by the International Monetary Fund (IMF) in October 2008, predicted that developing economies as a whole will grow six percent in 2009 compared to zero growth in the developed world. That six percent growth is less than in recent years, but it hardly defines a recession.

Globalization Shrinking the World

In 2009, the IMF predicts that world trade volumes will grow about four percent, despite the global economic slowdown. That means goods will still move around the planet making them ripe targets for criminals. In technology, the Internet Protocol (IP) video and networks render distance and borders meaningless, so we expect to see more centralized management of security systems. As security systems remain mostly facilities-based, centralization's lower costs will help drive this trend. Look for more global standards in 2009 and beyond, as open markets demand common approaches. Standards help drive down costs, so companies can manage security across borders in more cost-effective ways.

IT Convergence to Drive Systems Integration

The integration of IT and physical security, while nothing new, will accelerate. That acceleration is due in equal parts to technological feasibility, lower component costs, performance enhancements and cost-reduction imperatives. This trend means that commercial security issues are expected to continue migrating to wider operational and even strategic intra-company discussions, involving IT, Finance, HR, Legal, Manufacturing and other functions. Ultimately we expect to see more and more demand for security solutions to go beyond IT convergence to convergence with business processes.

Innovative, Cost-Effective Applications & Managed Services

This year will be a tipping point toward the deployment of innovative security applications that incorporate new technologies as well as not-so-new technologies in fresh and more cost-effective

ways. Radio Frequency Identification (RFID), invented 60 years ago, is finding its way into more applications such as tracking assets, inventories and goods enroute. Security's integration with web-based services - "Web 2.0" - will continue, especially thanks to wireless broadband. Security professionals can set preferences for alerts to be delivered as text, images or video to their mobile phones, PDAs, laptops or any other electronic means that suits them. Also, as cost/performance optimization becomes acute in these times, we can expect to see an increase in managed security services - from a hybrid solution located on a company's premises and using its own services to a hosted, off-site solution that provides comprehensive and tailored protection.

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Given today's economic challenges, underlying trends may slow down, but they will not go away. As new, more cost-effective security applications are introduced, a point will be reached when their cost-benefits are just too compelling to ignore. ADT will continue investing in new solutions to help our commercial and multinational customers protect their people and property in ever more cost-effective ways.