



# MANAGED SECURITY SERVICES OFFER MORE CONVENIENCE

The advent of cloud technology has changed existing business models in many sectors, including in the security industry. Software as a service is a common model now for both private and enterprise users. Companies can set up online stores using Amazon Web Services or manage their sales pipeline and customer relationships using Salesforce as well as other services.

In the security sphere, the common offerings are video surveillance as a service (VSaaS) or access control as a service (ACaaS).

Using cloud technology, users can connect cameras or doors from different sites directly to the cloud, sparing the need for on-site recorders or other equipment. In addition, the cloud offers the ability to store data from different locations in one place and have that information accessed and shared in a centralized fashion.

The major benefit managed services bring is flexibility in infrastructure and finance. Opting for a managed service offers end users flexibility in scaling their systems, either expanding or downsizing according to the business needs. From a financial perspective, it also offers the possibility of

spreading the associated costs over time instead of paying a large sum upfront.

Managed services also give users the chance to get better features and technological capabilities, for example video analytics or features previously available only in high-end video management systems that might be out of the financial reach of smaller players.

The cost saving is not only for the end user but also on the vendor side. Apart from the initial installation, vendors also centralize their operations and can achieve efficiencies in management and maintenance, reducing the need for site visits and giving them the ability to upgrade systems in a centralized manner and address problems faster.

“From a business model standpoint, managed security services such as VSaaS will appeal to companies wishing to shift from capital expenditures to monthly operating expenditures. It can simplify their budget, and make it more predictable,” said Dean Drako, President and CEO of Eagle Eye Networks. “The underlying technical foundation, whether the VSaaS offering is cloud-based or not, will also have an impact. End users can achieve higher economies of scale with a true cloud-based system, while other managed video services can be more of manpower outsourcing model, along with potentially distributing costs over a longer time period. Additionally, true cloud services are generally cyber secure and have built-in redundancies. Cloud vendors also have large teams of dedicated specialists who can evolve the solution faster from a feature standpoint.”

For video surveillance, the ongoing subscription fee is generally associated with the number of cameras and video retention period. Payment is per-camera and according to the length of storage in days the end user wants. Resellers usually offer either fully managed or partially managed services. In a fully managed service, the end user signs a multi-year contract which amortizes the cost of installation and cameras over the course of the contract, along with other subscription services. With a partially managed service, the end user pays upfront for cameras and installation, and pays a monthly fee.

“Our resellers follow the same monthly pricing models that we do. Some will bundle the charges into a single annual payment for the sake of simplifying invoicing, but the underlying rate structure is the same,” said Steve Van Till, President and CEO of Brivo.

Recurring monthly revenue (RMR) is of course a lucrative option for solution providers, but might be a deterrent for end users who don’t want to be tied into a recurring cost. “Resellers need to present the value proposition of hosted

services in a way that makes sense — like the data plan that goes with a cellular subscription. The service is a continual benefit to the customer, so it only makes sense that there is an ongoing fee for as long as the benefit is being provided. Hosted services offer far more value than on premise alternatives,” Van Till added.

In some cases, the pricing of managed services follows models common in other managed services, such as the “freemium” model. Freemium is a pricing strategy by which a product or service is provided free of charge, but money (premium) is charged for advanced features and functionality.

Ivideon’s cloud video surveillance service is one such example. The company offers three pricing plans: free, premium, and professional. The free program allows users to connect up to two cameras per account. Larger numbers of cameras, longer periods of cloud storage (e.g., seven or 30 days), as well as other features are covered in the other plans. “Free and premium pricing plans are suitable for B2C users, professional pricing plan is the best choice for B2B users, and it can be customized for all types of businesses, from small to large,” said Vladimir Eremeev, Director of International Business at Ivideon.

## Who Should Choose VSaaS

Among our interviewees, many voiced their opinion that managed-service solutions are most suitable for small and medium businesses (SMBs) or large businesses made up of many smaller locations.

Nikhil Shenoy, Director of Product Marketing at Kastle Systems pointed in particular to owners and managers of multi-tenant office buildings as well as the tenants themselves (most usually small/medium services companies or branches of larger enterprises) as the typical users of managed security services. These clients do not have the resources to maintain a full-time IT department or

security department and managed services give them the ability to outsource a part of their operation that is not their core competence.

"We generally find companies that do not have in-house security personnel (e.g., a director of security who assembles, maintains, and manages their own system with their own people) will turn to a managed security provider to outsource that part of their operations," said Shenoy. "Any ongoing service incurs ongoing costs including: maintenance of equipment, operations staffing, and asset monitoring. In-house operations will still incur these costs and have 100 percent of the system and overhead/HR burden, whereas the recurring monthly fee of a managed service is more efficient and contained to that aspect of business operations."

Large installations are still not the ideal target for VSaaS. "Cloud VSaaS is currently less suitable for airports and installations with more than 100 cameras in a single site. Cloud VSaaS is broadly applicable elsewhere, particularly companies with multiple locations that want automated central management and the flexibility to change their service," said Drako. "Typical customers for our cloud security camera video management system (VMS) have five to 20 cameras per location; they often have multiple locations and are seeking automated multi-site integration — some have thousands of locations."

## The Other Side Of the Coin

Despite their promised benefits, for both end users and vendors, managed solutions are not fault-free. There are major concerns regarding security: how to ensure information is indeed kept secure and not shared with unauthorized parties. Another concern is service continuity and vendor "lock-in": what happens if a solution provider goes out of business? Or how will a client transfer their data if their contract ends and they choose to switch vendors? And despite the potential lower total cost of ownership, bandwidth costs are still a major hurdle. A client with multiple sites or cameras can quickly run out of available bandwidth or rack up high costs, especially when megapixel cameras are so prevalent.

However, among the advocates of VSaaS there is great optimism regarding its benefits and future success. "Cloud surveillance service is not just a security service, it can be a perfect solution for the optimization of business processes. That is why we made our service first of all for business, and then for security. We can not only optimize time and money resources for video surveillance systems, but also improve client service, sales and increase revenue," said Eremeev.

Emphasizing these additional inputs and offering more business value in addition to lower ownership costs will no doubt greatly increase the adoption rate of managed services

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