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Industry Insights: VSaaS

The outdoor video surveillance as a service (OVSaaS) market represents a compelling investment opportunity for strategic buyers and financial investors, alike. Organic growth will be buoyed by industry tailwinds that will drive demand over the next several years. The need among end-users for an integrated solution that incorporates the latest technologies and live-monitoring capabilities will provide ample opportunities for successful vendors to win customers and gain market share. Additionally, a fragmented vendor landscape that includes several small, but highly-capable vendors means that M&A in the market should be robust over the next half-decade at least, as the industry consolidates and winners emerge.

OVSaaS is a nascent, but vibrant niche of the \$17.5 billion U.S. security market (IBIS 2014 report). It includes several key segments (Target Verticals) where the OVSaaS value proposition is especially compelling. The Target Verticals include the utilities, construction, and oil & gas sectors, among others and, together, total approximately \$1.5 billion in outsourced services annually. Demand in these verticals is poised for rapid growth through 2020 due to tailwinds provided by favorable trends, such as the increasing ubiquity of video surveillance, improving technology and declining cost, and greater services outsourcing to 3rd parties.

Awareness of the OVSaaS solution is growing among end-users, who choose vendors based on the following criteria: customer service, reputation, quality of equipment, and internet compatibility. Interestingly, price, speed of installation, and use of domestically-based live monitors are less important selection criteria, by comparison. The general lack of turn-key solutions has prompted end-users to generally pursue a "best-of-breed," piecemeal approach to meeting their outdoor security requirements.

The vendor landscape, meanwhile, is quite fragmented with no one vendor or group of vendors forming a dominant market position. Incumbents serving the market come from a variety of different sectors (such as security, IT, etc.) and include many different types of

companies (such as hardware/camera manufacturers, software firms, systems integrators, etc.). Several of the companies observed in this study have developed solutions that have found strong adherents and many satisfied customers.

New Heights? exhaustive analysis of the OVSaaS sector makes it uniquely positioned to provide investors with the relevant insights they need to make prudent capital allocation decisions in this market niche. For more information about this study, or any of the other numerous studies it has completed, please contact Bert Smyers at (216) 523-4295 or Bert.Smyers@nh-r.com [1].

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