Business Opportunities in the Security Industry

New paths to success in a changing market

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INTRODUCTION

A Word from Don Erickson, CEO, Security Industry Association

As a benefit to its members, the Security Industry Association (SIA) sponsored this market research report, *Business Opportunities in the Security Industry: New Paths to Success in a Changing Market*, with the goal of helping companies in the security industry, particularly small- and mid-sized companies, understand some basics of how to enhance their marketing effectiveness for their products and services.

Few industries are tasked with protecting lives and property against an ever-evolving array of threats as is ours. So it should come as no surprise that the buying process of acquiring products to support this endeavor has unique characteristics of its own.

For example, in our very first finding, the report reveals that security professionals prefer trade magazines as a source of market information by a wide margin—despite the maxim that "print is dead" or dying. In contrast to markets that may thrive on all things digital or social, security industry customers find messages that provide substantive comparative contrast on new products and information to be most effective.

At SIA, we are always looking for ways to improve the business of our members. And since marketing is a critical task for the success of every security supplier, we see supporting this study as a way to support the success of our industry. The initial inspiration for this study was to create a body of information that could benefit security suppliers everywhere. During the course of its production, the report truly became an industrywide project, including the participation of many well-known industry leaders as well as assistance from leading security trade publications. We thank them for putting the industry first through their participation.

In a time where the marketing craft is changing, we are proud to offer this guide to the opportunities our members have for improving their business. I hope this report will provide ample fodder for creative ideas when developing your own marketing plans in the security industry in the near future.

As always, I encourage SIA Members to contact me directly at 301-804-4747 with any questions and concerns, or simply to share your ideas. On behalf of the SIA Board of Directors, I sincerely thank you for supporting and guiding *your* association.

Sincerely,



Don Erickson
CEO
SIA

SIA
SECURITY INDUSTRY ASSOCIATION

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ACKNOWLEDGEMENTS

A special thanks must be given to all those who helped bring this study to life. Without their help, this project could never have been completed.

First off, thanks go to Don Erickson, CEO, and Kevin Murphy, Director of Member Services, from SIA, who supported this project as the underwriting sponsor.

For advice during questionnaire design and invaluable commentary on the results, thanks must be given to:

- Brad Baker, CISSP, CPP, PSP, Director of Security Solutions, FTG Technologies
- Bill Bozeman, President and CEO, PSA Security Network
- James Connor, Principal and CEO at N2N Secure
- Ray Coulombe, founder and Managing Director of SecuritySpecifiers.com
- Bob Hayes, Managing Director, Security Executive Council
- Ron Murphy, Property & Asset Security Advisor, Australia Post Headquarters
- Gene Perry, CPP, PSP, Security Operations Analyst, Systems Planning and Analysis, Inc.

Special thanks also go to the publishers of the nine publishing brands that supported this project:

- Nancy L. Levenson-Brokamp, Publisher of *Security Dealer & Integrator* (*SD&I*) and *Security Technology Executive*
- Mark McCourt, Publisher of *SDM* and *Security*
- Steven Nesbitt, Publisher of *Security Sales & Integration* and *Campus Safety*
- Tim Purpura, Publisher of *Security Director News* and *Security Systems News*
- Sandy Wade, Publisher of *Security Management* (ASIS)

Finally, for their expert guidance at critical times during the course of this study, special thanks also goes to:

- Frank De Fina, Senior Vice-President Sales & Marketing North America, Samsung America
- Vince Galdi, Chief Creative Officer, LRG Marketing Communications Inc.
- Sandy Jones, Founder and Principal at Sandra Jones and Company
- Steve Lasky, Publisher/Editorial Director at Cygnus Security Media Group
- Mark McCourt, Publisher of *SDM* and *Security*

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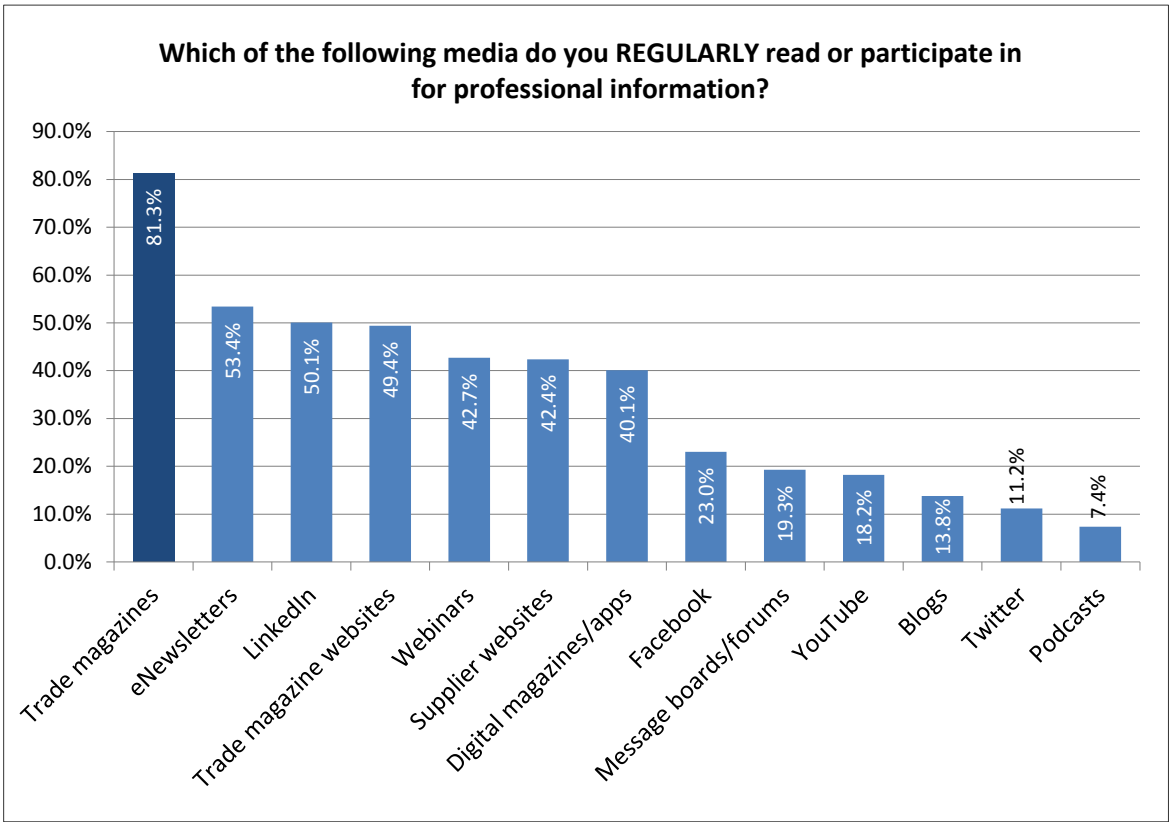
FINDING #1

Trade magazines are the most preferred source of professional information by a wide margin

Despite rumors of the demise of print trade magazines, they remain the medium most frequently used on an ongoing basis in the security industry, with 81.3% of respondents reporting they read them at least once a month for professional information. In a distant second place, at almost 28 percentage points behind, are eNewsletters, at 53.4%.

One of the goals of this question was to put all media on a level playing field, so as to assess the impact of each one, relative to the others. This is ordinarily not easy to do because, although marketers today have more metrics to rate the impact of individual media, each is measured on a different scale. For example, digital and social media are both rich with tracking metrics, but because they measure different things, direct comparisons are difficult. Print is often undervalued by media buyers as it lacks the measurable metrics of digital or social media.

However, says Bob Hayes, Managing Director, Security Executive Council, "Magazines are still very popular in the security industry, partly due to the age demographic of security people."



FINDING #1, continued

Trade magazines are the most preferred source of professional information by a wide margin

This question was also intended to measure media use on an ongoing basis. As will be shown in subsequent findings, a substantial part of the buying process now takes place before suppliers' salespeople are contacted.

As result, it is more important than ever to influence potential customers either before they start the buying process, or very early into it. Ongoing communication assures that potential customers understand a product's comparative positioning while they are still deciding which company's sales reps to contact – and which to drop from consideration.

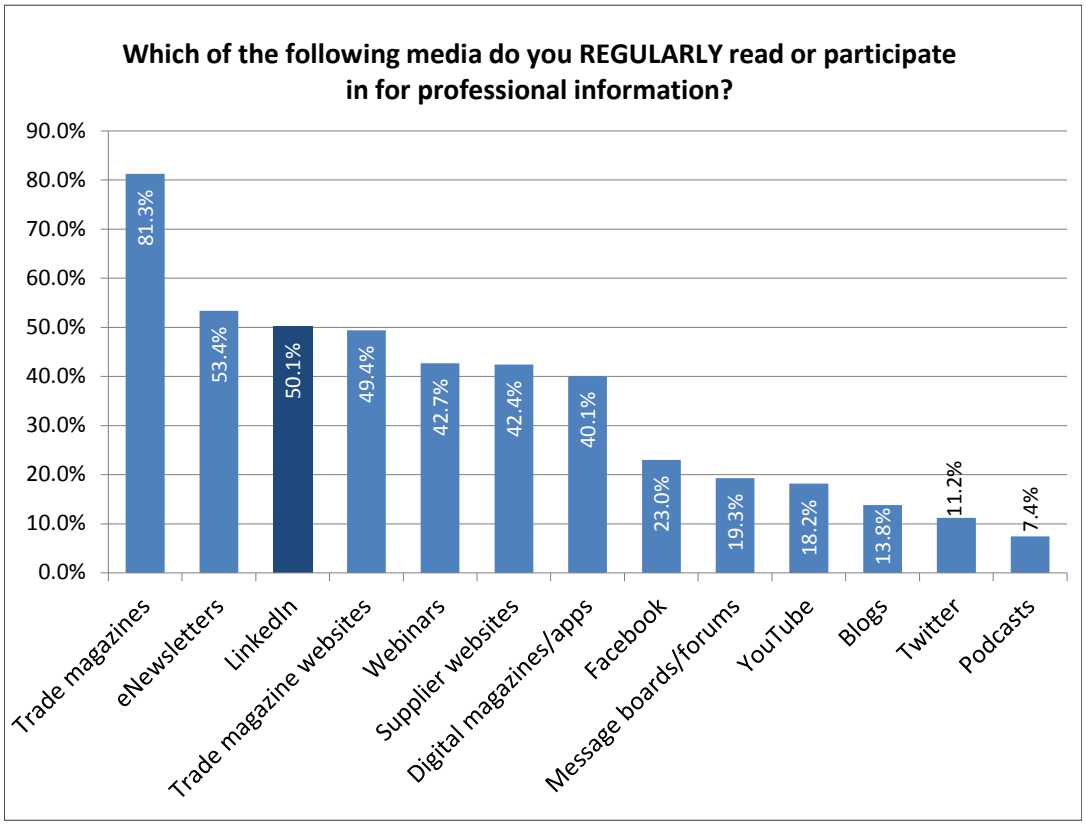
Print is often undervalued because it lacks the measurable metrics of digital or social media

FINDING #2

In an industry that shuns social media, LinkedIn is the third most regularly used medium

Not only does LinkedIn dominate social media usage, but at 50.1% it also ranks as the third most frequently used medium among half of all respondents. This is an anomaly, since other social media in this study ranked close to the bottom. However, despite the lukewarm reception for most social media, LinkedIn is seen differently.

In some other industries, where social media is used more frequently, participation in sharing platforms like Facebook is viewed as a positive for business. However, in an industry that constantly assesses risk, and where sharing too much information can compromise operations, Facebook usage is minimal, while LinkedIn acts as a personal trust meter, enabling security industry professionals to assess the trustworthiness of new people by evaluating whom else they know. As James Connor, Principal and CEO of N2N Secure, explains, "In this industry we deal with risk every day, and knowing whom else you know helps reduce that risk. Who you know is a validation of whether or not I can trust you."



FINDING #2, continued

In an industry that shuns social media, LinkedIn is the third most regularly used medium

There are also some very functional reasons for LinkedIn's popularity. "LinkedIn is becoming a major resource in identifying talent, communicating, and networking," explains Bob Hayes. "It has become a great resource for corporate staffing and recruiters alike. The number of calls I receive from companies trying to identify talent is down significantly. I think the reason is all the names and resumes are on LinkedIn."

Even with Facebook's low preference score (of 23.0%, and in 8th place out of 13), Brad Baker, CISSP, CPP, PSP, Director of Security Solutions, FTG Technologies adds, "I was surprised that [Facebook] scored as high as it did. I don't see that as being very big in the security industry because many see it as a 'share too much information' kind of place. As a security professional you are very careful about what you share out there. We are a tight-lipped community and you cannot talk too much about what you are doing."

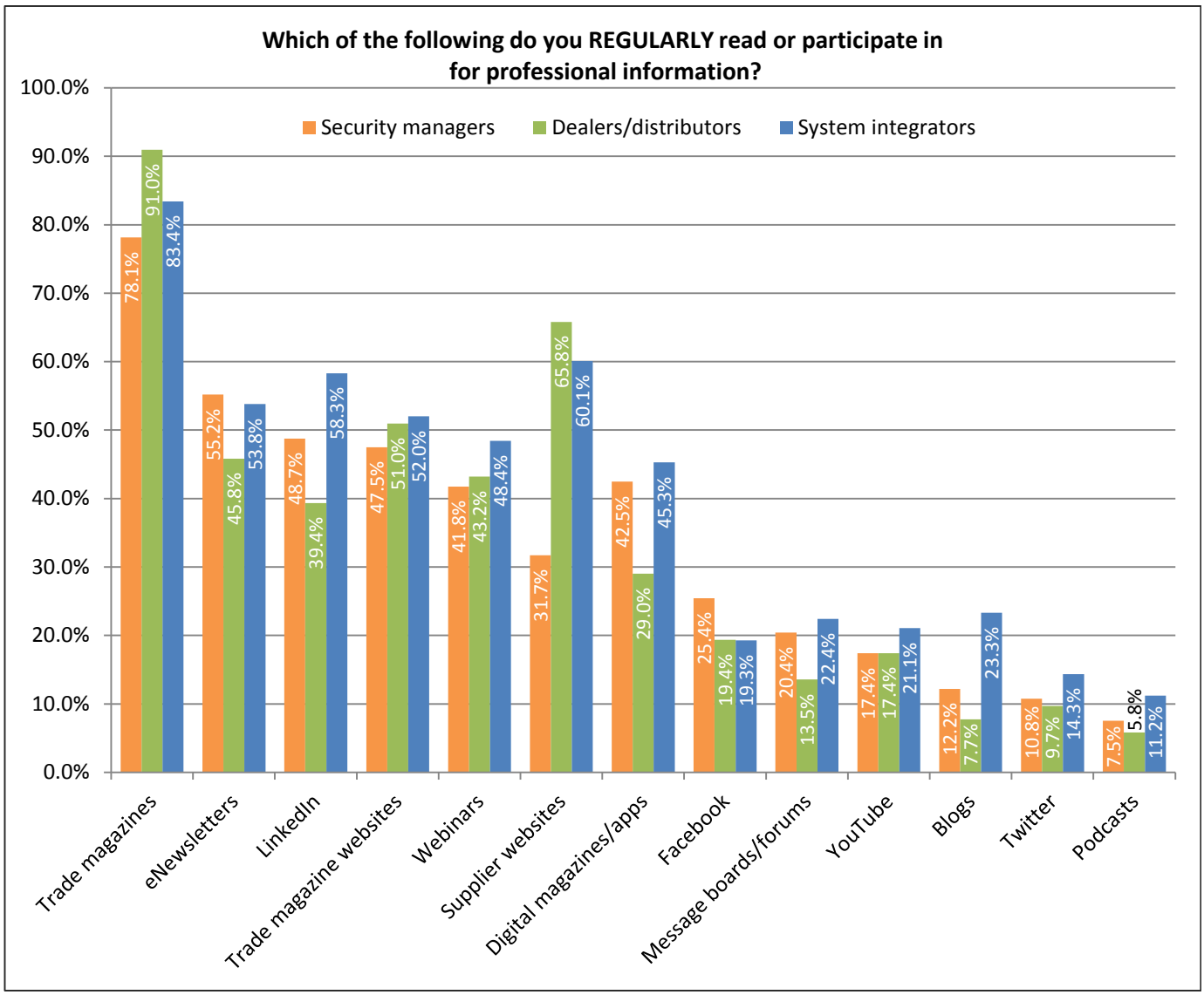
"In this industry we deal with risk every day, and knowing who else you know helps reduce that risk"

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FINDING #3

Supplier websites are of far greater interest to 'channel' respondents, less so for end users

While trade magazines are the clear first choice among all three groups as a source of professional information, the job groups diverge sharply in their second choices. Dealers/distributors and system integrators favor "supplier websites" as their second most preferred source (dealers/distributors, 65.8%; system integrators, 60.1%), but supplier websites are only about half as interesting to security managers. In fact, less than a third of security managers (31.7%) visit supplier websites regularly, ranking them only a distant 7th choice out of the 13 options.



FINDING #3, continued

Supplier websites are of far greater interest to 'channel' respondents, less so for end users

This makes sense to Bob Hayes, who feels the reason is that supplier websites generally lack the kinds of information that security managers most often need: "Most supplier websites are used to market products. People who work in product channels can get information they need from them. But security managers are looking to find out how products fit with their business plan. This information is seldom found on supplier websites."

The take-away for technology marketers is, while your website might be a positive way to reach system integrators and dealers/ distributors whom you work with on an ongoing basis, it may not be effective at regularly reaching security managers.

For security managers, their second most frequently used information source is eNewsletters (55.2%), followed by LinkedIn (48.7%), trade magazine websites (47.5%), digital magazines (42.5%), and webinars (41.8%). All reflect a preference for broader information sources over the single-supplier information found on company websites.

According to Hayes, the best information source for each job group really boils down to, "'What is the question they are asking?' For integrators the question is, 'Is this technologically possible?' For security managers the question is, 'What is the business case for using this product?' These are two completely different points of view and really two different customers."

Security managers prefer broader information sources over the single-supplier information found on company websites

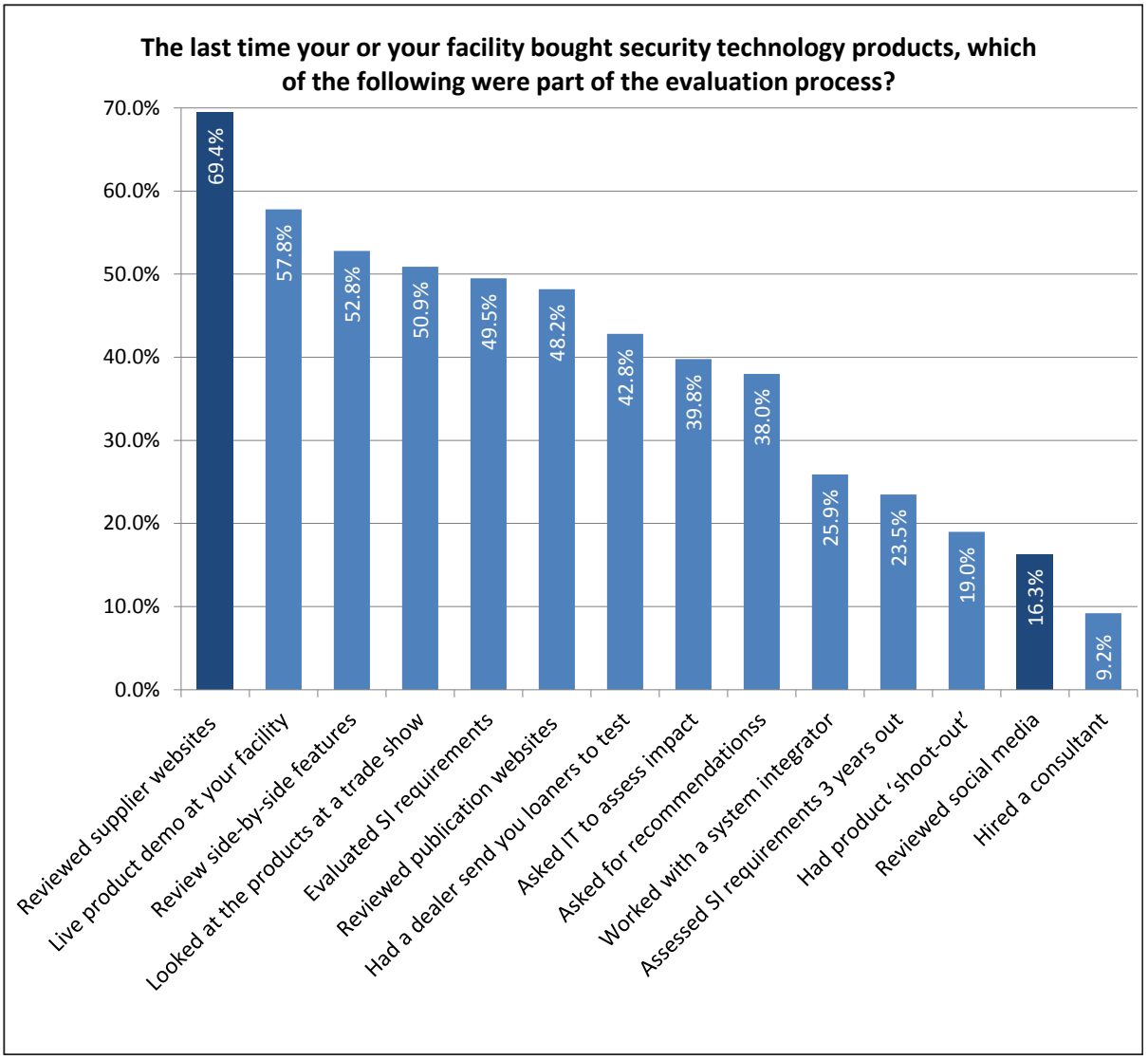
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FINDING #4

During the buying process, supplier websites become a top destination, while social media has little impact

When a purchase is being considered, customer behavior changes. Finding #3 showed that supplier websites are not regularly visited by the majority of security managers. However, when products are being evaluated for purchase, supplier websites become a much more popular destination.

On an ongoing basis, only 31.7% of security managers frequent supplier websites, but this nearly doubles during a purchase, to 61.7%. Channel respondents also increase their usage: During a purchase, usage by dealers and distributors increases from 65.8% to 76.4%, and system integrators' usage increases from 60.1% to 83.3%.



FINDING #4, continued

During the buying process, supplier websites become a top destination, while social media has little impact

Supplier websites that are rich in product detail are especially important during product purchases.

In many industries, use of social media also rises sharply during a time of product purchase, as buyers review product ownership experiences posted by their peers. Not so in the security industry, where social media generally has low usage: only 16.3% of respondents said they use social media as part of the product evaluation process.

When products are being evaluated for purchase, supplier websites become a much more popular destination

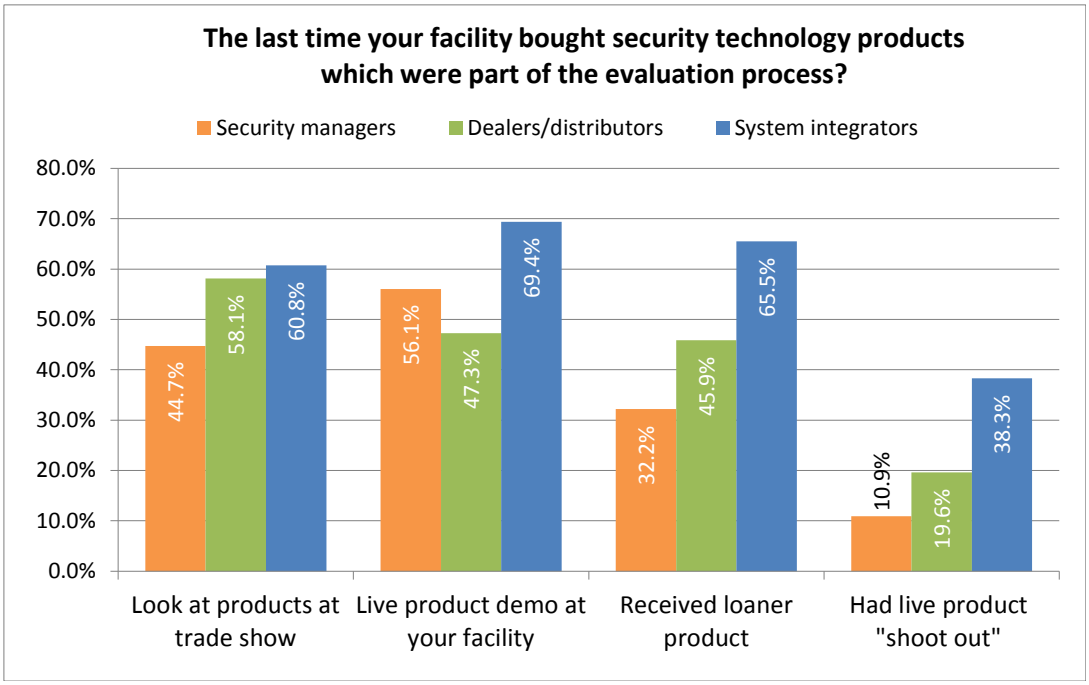
FINDING #5

Security managers and system integrators prefer live on-site product demos, while dealers and distributors visit trade shows

In the security industry, physically examining products is an important part of the buying process. While all three job groups take advantage of the opportunity to do so at trade shows, when it comes to facility demos and product loaners, each group has its own preferences.

Having a live demo done at their facility is most preferred by both security managers (56.1%) and system integrators (69.4%). According to Gene Perry, Security Operations Analyst at Systems Planning and Analysis, Inc., this is a more 'real world' way to test products than staged demonstrations: "[Staged] product demonstrations always go perfectly. They are often done in a fixed environment and are well rehearsed, so I take them with a grain of salt. I like to see products proven under my own set of conditions."

By contrast, dealers and distributors prefer to evaluate products at trade shows, with 58.1% selecting this as their top choice. Also, two thirds of system integrators are likely to ask for loaner products from manufacturers (65.5%) while only about one third of security managers will request a loaner product (32.2%).



FINDING #5, continued

Security managers and system integrators prefer live on-site product demos, while dealers and distributors visit trade shows

Although it is clear from other findings in this report that buyers make many theoretical side-by-side product comparisons as they narrow down the number of products under consideration, their use of direct physical comparisons, or so-called product "shoot outs," is surprisingly low among all three professional groups. This is particularly true of security managers, of whom only about 11% say they used a "shoot out" during their last product evaluation. The number of dealers and distributors is just a little less than twice that, at 19.6%. Only system integrators seem to use product "shoot outs" with any significant frequency, and even then, only a little more than one third (38.3%) report doing so.

Commenting on the overall low usage of "shoot outs" in general, Ron Murphy, Property & Asset Security Advisor, Australia Post Headquarters said, "I wish this chart was turned upside down because the side-by-side shootout is logically what should happen if you're really interested in finding a better product."

Having a live demo done at your facility is a more 'real world' way to test products than staged demonstrations

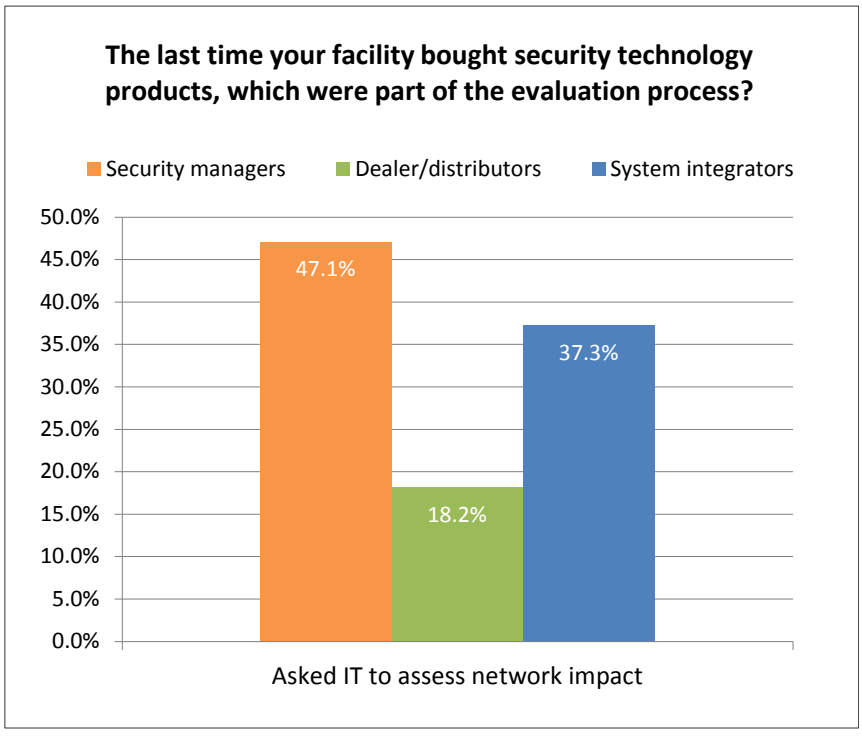
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FINDING #6

About half of security managers ask their IT department to assess the network impact of product purchases

As more of the security function is deployed through a network, new products need to connect to that network. According to Bill Bozeman, President and CEO, PSA Security, much more can go wrong than just the connection: "If a product goes on a company network, there are all kinds of protocols to be considered, and there is the potential of causing a security breach."

When we showed early results of this finding to our panel of experts, some of them expressed concern that the percent of buyers asking for IT evaluation seemed low. However, part of this could be the way the question was worded. By asking respondents about "the last time" they bought a product, many purchases were probably not included in the count because the last purchase was a replacement camera or a component of the same make and model as had already been approved by the IT department for network use.



Once the move to a managed network is complete, IT involvement in the buying process is a given

FINDING #6, continued

About half of security managers ask their IT department to assess network impact

In addition, facility size can make a difference. Says James Connor, "Whether you need approval of the IT department to make a security product purchase depends on the size of your organization. If only companies in the Fortune 1000 answered this question, the score would be 100% because all these companies have 'managed networks.' A managed network is one that uses standard IT practices and has a dedicated employee managing it." Connor asserts that once the move to a managed network is complete, IT involvement in the buying process is a given: "When adding a new product to a managed network, getting an IP address and doing the port configuration is 100% the job of the network folks. So, if you are buying anything that connects to that network, the involvement of the IT department is a requirement."

While smaller organizations may not currently need a blessing from IT to buy a product, Bozeman thinks this too will change: "As we move to the future, even companies with small systems will have network administrators involved in product purchases."

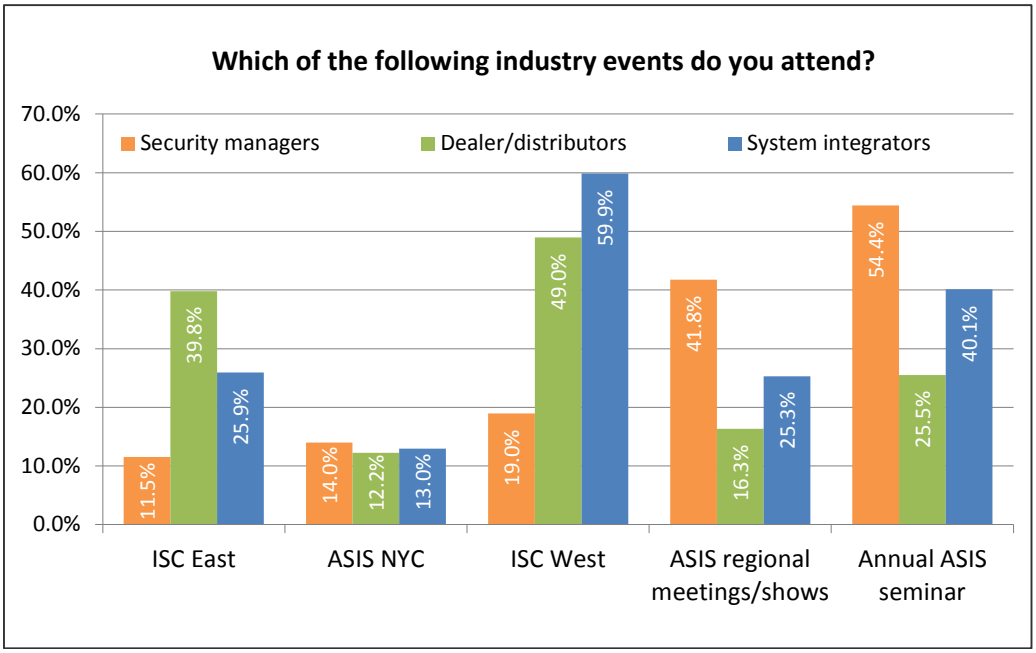
"As we move to the future, even companies with small systems will have network administrators involved in product purchases."

FINDING #7

Security managers attend more ASIS events while channel suppliers favor ISC events

Exhibiting at industry trade shows is another way that suppliers can market to potential customers, but which shows do customers go to? When survey respondents were asked which industry events they attend, at first the results predictably skewed toward security manager events, owing to a sample bias since more than half of respondents are end users.

To get a clearer picture of who actually goes to which show, we sub-tabulated the results by the three job groups. Security managers emerged as the leading attendees at the annual ASIS seminar and local ASIS events, while system integrators and dealers/distributors led the pack at ISC East and West. A significant number of system integrators attend ASIS events as well.



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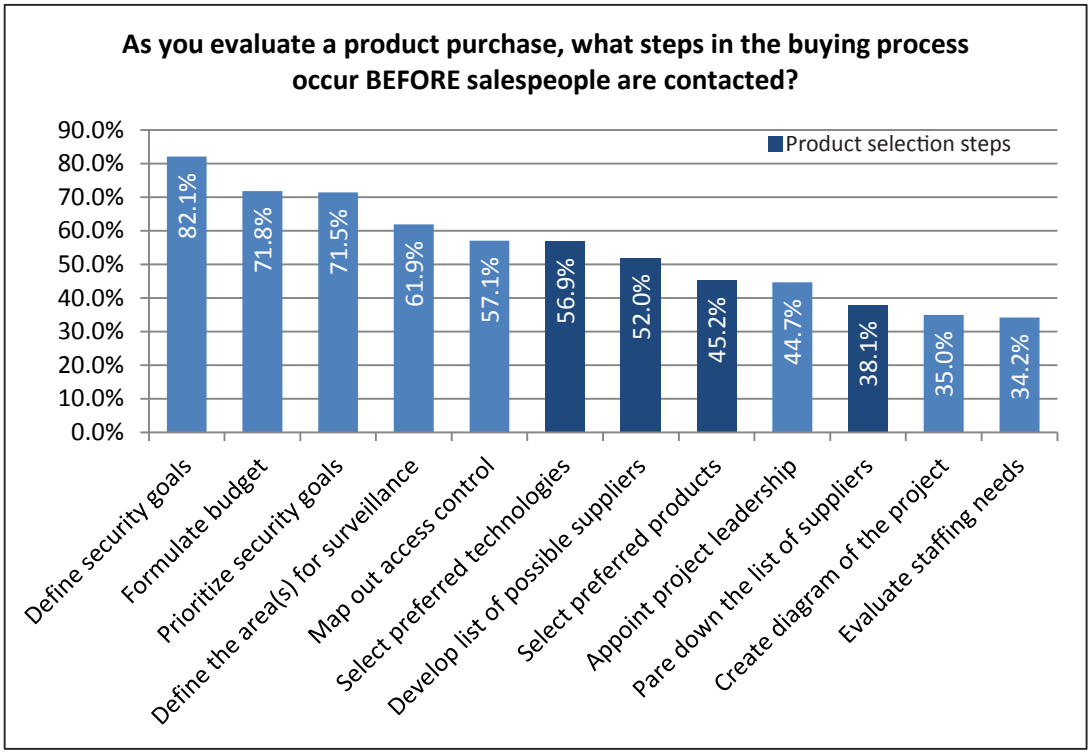
FINDING #8

Most of the buying process occurs before salespeople are contacted, and by then almost half of buyers have already decided on a product

As web savvy security industry buyers obtain increasingly more product information from the Internet and less from salespeople, the point in the buying process at which buyers contact salespeople is being pushed back to unprecedented territory. It has therefore become more important than ever for marketers to know the exact point in the buying process at which customers finally reach out to salespeople because before then, customers can only be influenced by marketing, not sales.

There have been several business-to-business research studies done across all industries that indicate this shift is significant. A recent study from the Corporate Executive Board found that "on average (and with little variation among industries), customers will contact a sales rep when they independently complete about 60% of the purchasing decision process." Forrester Research's Jeff Ernst told an audience at a recent DemandCom conference that "70% of the buy cycle is completed before vendors are engaged."

To develop industry-specific answers to the all-important question of when is the critical point in the buying process for security managers, we created a list of possible steps that could occur before a salesperson is contacted, and asked respondents to select the ones that actually do occur at their organizations before sales contact is initiated.



The point in the buying process at which buyers contact salespeople is being pushed back to unprecedented territory

FINDING #8, continued

Most of the buying process occurs before salespeople are contacted, and by then almost half of buyers have already decided on a product

According to respondents, the four steps that occur most frequently in the buying process at their organizations, before sales contact is initiated, are: "define security goals" (82.1%), "formulate budget" (71.8%), "prioritize security goals" (71.5%), and "appoint project leadership" (44.7%). While on the surface, these may not sound like steps directly involved in product selection, according to Bob Hayes they answer critical questions for security managers: "Does a product meet my goals? Is the goal one of my top priorities? Does the product fit within my budget? Do I have the project leadership to handle it? Does it work on our technology platform? Am I going to have to retrain my people? For the security manager, these are the things that make their decision as to what they will buy."

As these questions are worked out, product preferences emerge that take all parameters into account. For example, James Connor describes a typical dynamic: "Security people definitely define their goals, but sometimes budget comes first. The first question that often comes up is, how much money do I have? Sometimes goals become dictated by the budget. You might be planning a security program for a hospital parking lot where the goal is to cover the entire lot with surveillance cameras. But then you find you have a limited budget, and the goal has to change. Maybe the goal becomes setting up surveillance to cover the critical parts of the parking lot, not the whole." Product preference is then determined based on advantages that different manufacturers' products offer as one surveillance approach is decided.

In addition to shedding some light on all the steps that occur before the security manager customer contacts a sales rep, the results of this question also highlight another surprising fact: Almost half of security managers have already made up their mind about what product they intend to buy before contacting salespeople. Before sales contact, 52% of respondents say they develop a list of possible suppliers, 38.1% pare down that list, and 45.2% select the products they prefer to buy. This begs the question: If almost half of customers already know what product they plan to buy before contacting a salesperson, how much influence do salespeople really have?

According to Bob Hayes, it all comes down to whether the salesperson still adds value: "Do they know things nobody else knows? Do they talk about solutions others might not be aware of? Or is he just the guy who tells you the price and writes up the order?" If almost half the time a company's salespeople are contacted they have little to no influence over their customer's product preference, then customer preference for that company's products needs to be generated though the marketing function.

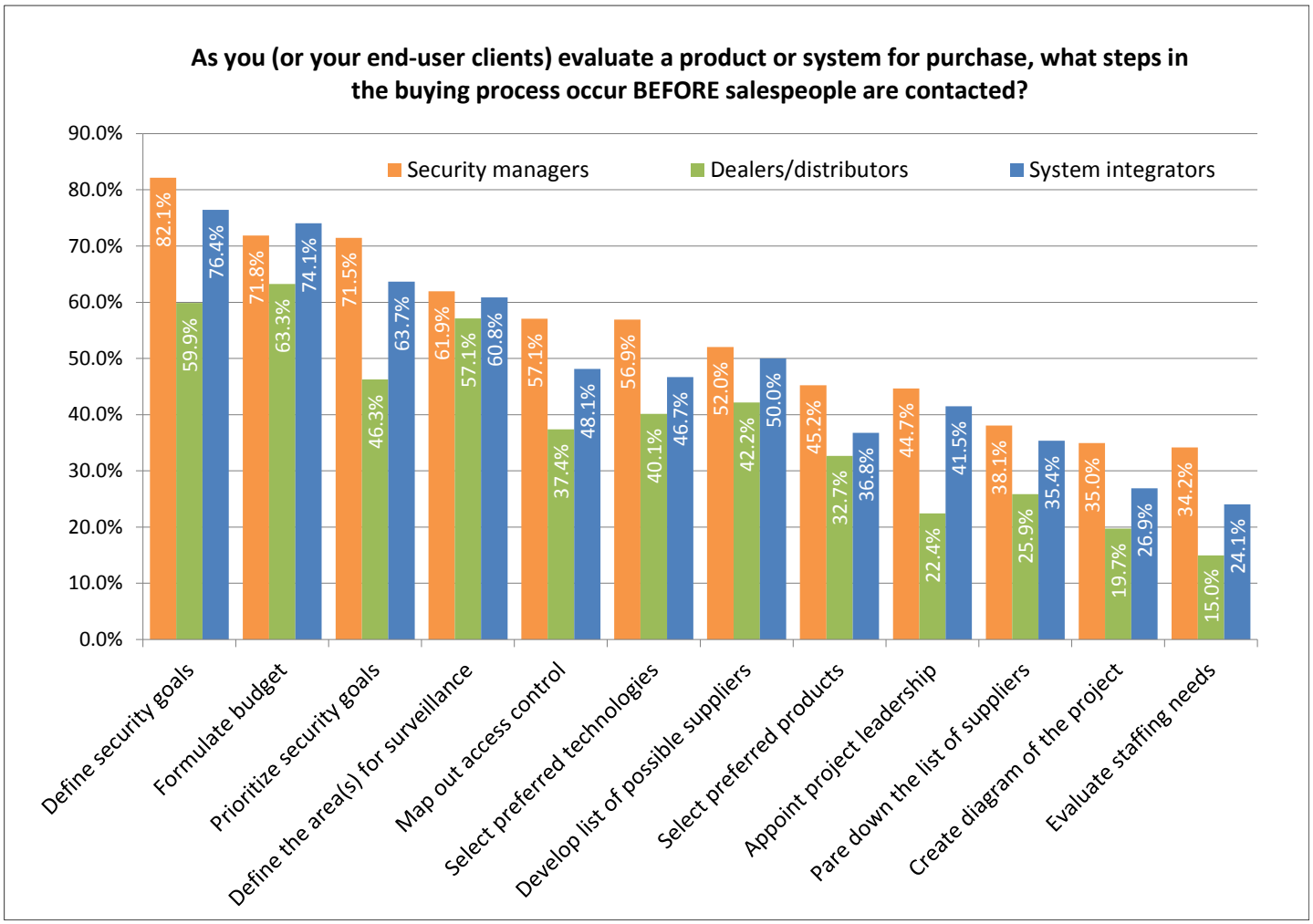
If almost half of customers already know what product they plan to buy before contacting a salesperson, how much influence do salespeople really have?

FINDING #9

Channel suppliers greatly underestimate how much of the buying process is completed before security managers contact salespeople

In the question for the previous finding (Finding #8) we asked security managers what steps they take in the buying process prior to contacting a company's salespeople. Taking this a little further, we saw this as an interesting opportunity to compare their responses with what channel suppliers *think* security managers would say. In a separate question, dealer/distributors and system analysts were asked "Which steps do you think your end user clients take before contacting your salespeople (and representatives)?"

In the accompanying chart, the orange bars indicate the percentage of security managers who say they complete that step in the buying process before contacting salespeople. The green bars indicate the percent of dealers/distributors who *think* their security manager clients complete that step before contacting their salespeople. Likewise, the blue bars represent the percent of system integrators who *think* security managers complete that step before contacting their salespeople or representatives.



FINDING #9, continued

Channel suppliers greatly underestimate how much of the buying process is completed before security managers contact salespeople

The results were very enlightening. For each step measured, we found that dealers and distributors consistently underestimate how much happens before a security manager contacts them, sometimes by as much as 25%. This makes sense because, since the salespeople are contacted later in the buying process, it is harder for them to realize how much has already been done before they are contacted. System integrators, on the other hand, understand the buying process better because they work closely with end-users, or can even be the end-users themselves. As a result, many of the scores for system integrators are fairly close to those of security managers, although there are four steps where integrators underestimate security managers' activity by as much as 10%: "map out access control," "select preferred technologies," "create diagrams of the project," and "evaluate staffing needs."

Comments Ron Murphy, "End-users are far more strategic in what they do than the dealers and distributors understand. System integrators and security managers are very much on the same page, and their interaction is obviously a lot better." He adds that both security managers and system integrators "see security as a process with a lot of steps and a lot of thinking about what is trying to be accomplished. They see buying a product as a way to help achieve an end goal, not just as a package."

Dealers and distributors consistently underestimate how much happens before a security manager contacts them, sometimes by as much as 25%.

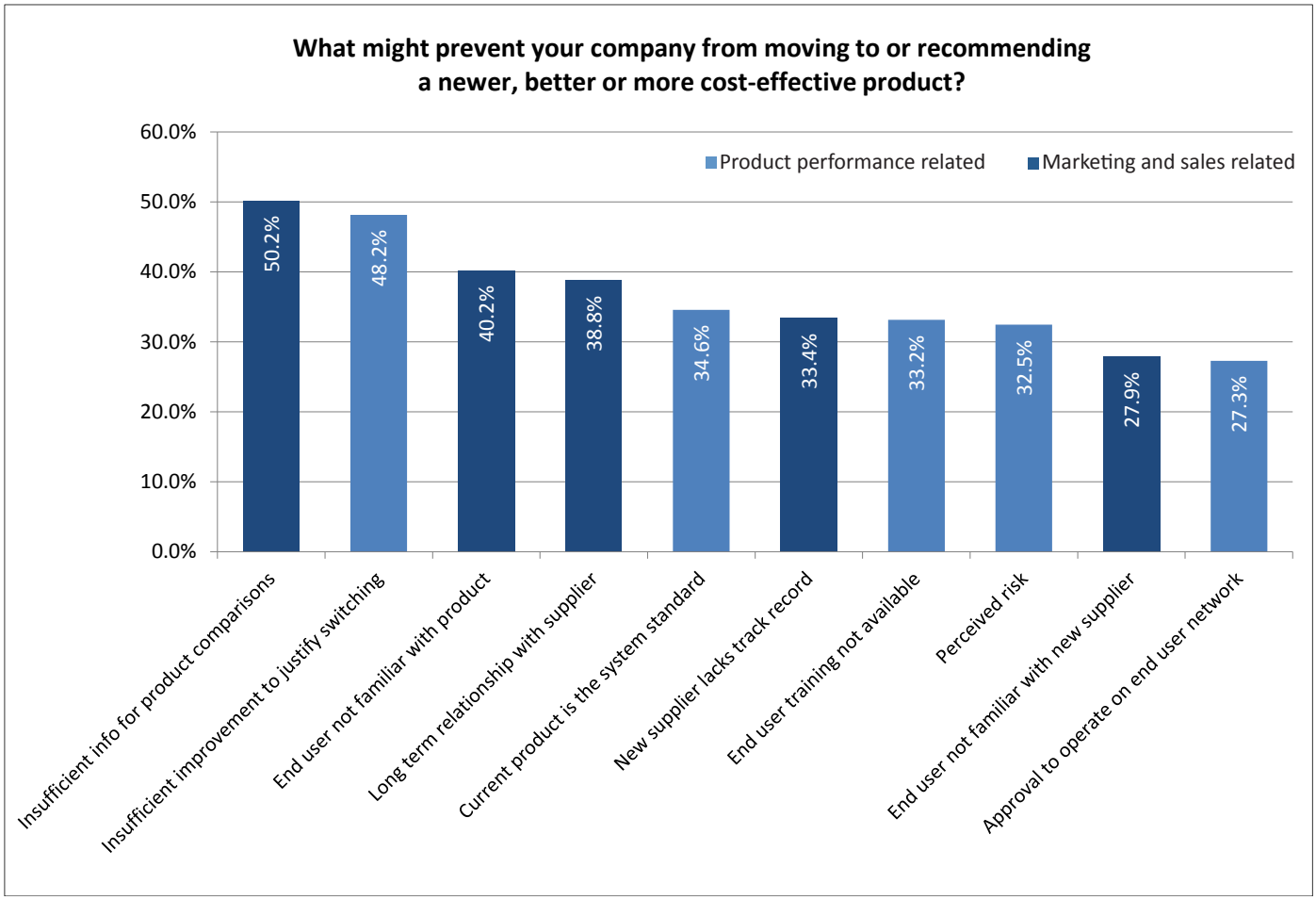
FINDING #10

When buyers switch products, more than half of their reasons are NOT about product performance

Research studies in other industries have shown that B2B marketing can be far more effective in retaining existing customers than persuading new ones. To help security industry marketers win new business, we wanted to find out what obstacles might prevent a buyer from choosing a product from a new supplier.

It can be hard to make a first-time sale in the security industry because of momentum with current suppliers. Explains Bill Bozeman, "With burglar alarms it is easy to switch suppliers because they are low-tech. But on big expensive systems, end-users might want to switch suppliers desperately but cannot because it is so expensive and difficult to do. Also, their name is on it. To switch, they would have to go to the chief financial officer and explain how they just spent $600,000 on a system that they are not happy with. Often they will keep the system even though they do not like it."

To better understand what could block a first-time sale, we developed a list of possible obstacles and asked respondents which ones would stand in the way of changing products at their organization.



FINDING #10, continued

When buyers switch products, more than half of their reasons are NOT about product performance

We were surprised to find how many of the top obstacles are not product performance related, but marketing and sales related -- in fact, four of the top six obstacles. The most frequently selected obstacle is "insufficient information for product comparisons," with 50.2% of all respondents selecting it. This obstacle is all about the marketing function not providing enough information for credible product comparisons. The third most frequently chosen obstacle, "end user not familiar with product" (40.2%), also relates to the marketing function, followed by the fourth obstacle, "long-term relationship with supplier" (38.8%), which is a function of sales. Only the second most selected obstacle, "not enough improvement to justify switching" (48.2%), is about product performance.

Looking further down this list, there are additional high scoring obstacles that relate to marketing and sales as opposed to product performance. In an industry where many products offer similar performance, marketing that can differentiate products is key. Following is a translation of the three top marketing and sales-centric obstacles into marketing goals. . .

1. "Insufficient information for product comparisons" (50.2%)

Goal: To provide information that differentiates products
2. "End user not familiar with product" (40.2%)
Goal: To provide sufficient market exposure

3. "Long-term relationship with supplier" (38.8%)
Goal: To match or overcome existing relationships

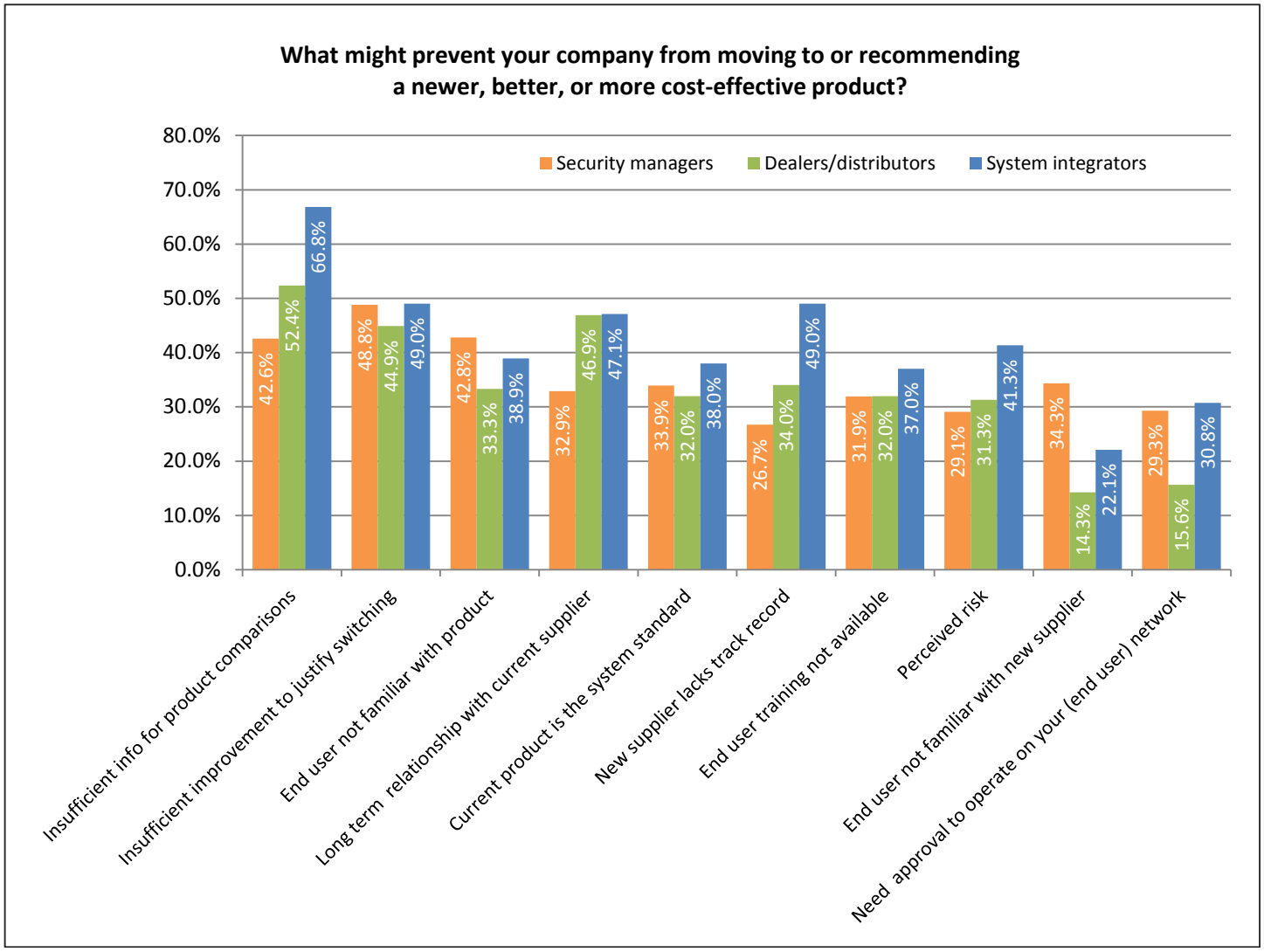
These are not easy goals to attain, but as we will see later in this report, it can be done!

In an industry where many products offer similar performance, marketing that can differentiate products is key

FINDING #11

The biggest obstacle preventing channel suppliers from recommending a switch to a new product is finding sufficient information for comparisons

When we sub-tabulate the question about which obstacles might prevent a switch to a potentially better product, a wide variation in reasons becomes apparent between the three professional groups. This is demonstrated in the accompanying chart, which is organized from the perspective of security managers, listing their preferences in descending order. Including system integrators and dealers/distributors – the channel suppliers -- in the chart as well, we can see significant differences in each of the three groups in the importance to which they ascribe each obstacle.



FINDING #11, continued

The biggest obstacle preventing channel suppliers from recommending a switch to a new product is finding sufficient information for comparisons

For security managers, who are focused more on product performance, the top reason for just about half of respondents (49%) is "not enough improvement to justify switching." This makes sense, especially since they would likely be the ones directly involved in implementing the change. Why go through all that unless the end result is appreciably better? Beyond that however, their next three reasons are all about lack of familiarity – with the product and the supplier.

System integrators, on the other hand, are much more likely to choose not to switch products due to having "insufficient information for product comparisons." With about two-thirds (66.8%) selecting this as their top reason, this was the highest score for any option among any of the three groups. Why the big emphasis on information gathering? As Bill Bozeman, who works with over 200 high end system integrators explains, "Integrating a large security system gets very technical -- we are talking about Cisco routers and switchers and video compression algorithms. To be a system integrator you need a remarkable amount of information." Dealers and distributors also say that "insufficient information for product comparisons" is their number one reason, but in a somewhat lower percentage (52.4% of dealer/distributor respondents, as opposed to 66.8% of system integrators).

System integrators also appear to be the most risk averse of the three groups, with "new supplier lacks track record" tied for their second choice at 49% and "perceived risk" as their fourth choice (41.3%), selecting both these reasons in far greater percentages than either of the other two groups. In fact, security managers see these two as their least important reasons. Dealers and distributors fall somewhere in between the two other job groups.

Another interesting contrast between the three job groups relates to how much of an obstacle they consider a "long-term personal relationship with current supplier" to be. Almost half of system integrators (47.1%) and dealer/distributors (46.9%) see long-term relationships as preventing a switch to a new supplier, but less than a third (32.9%) of security managers see this as a problem. Bozeman accredits this to a tighter connection between system integrators and dealers/distributors, and the manufacturers they deal with, "because the relationships they have with manufacturers are very important. They need each other."

"There is a tighter connection between channel suppliers and the manufacturers they deal with because they need each other."

FINDING #12

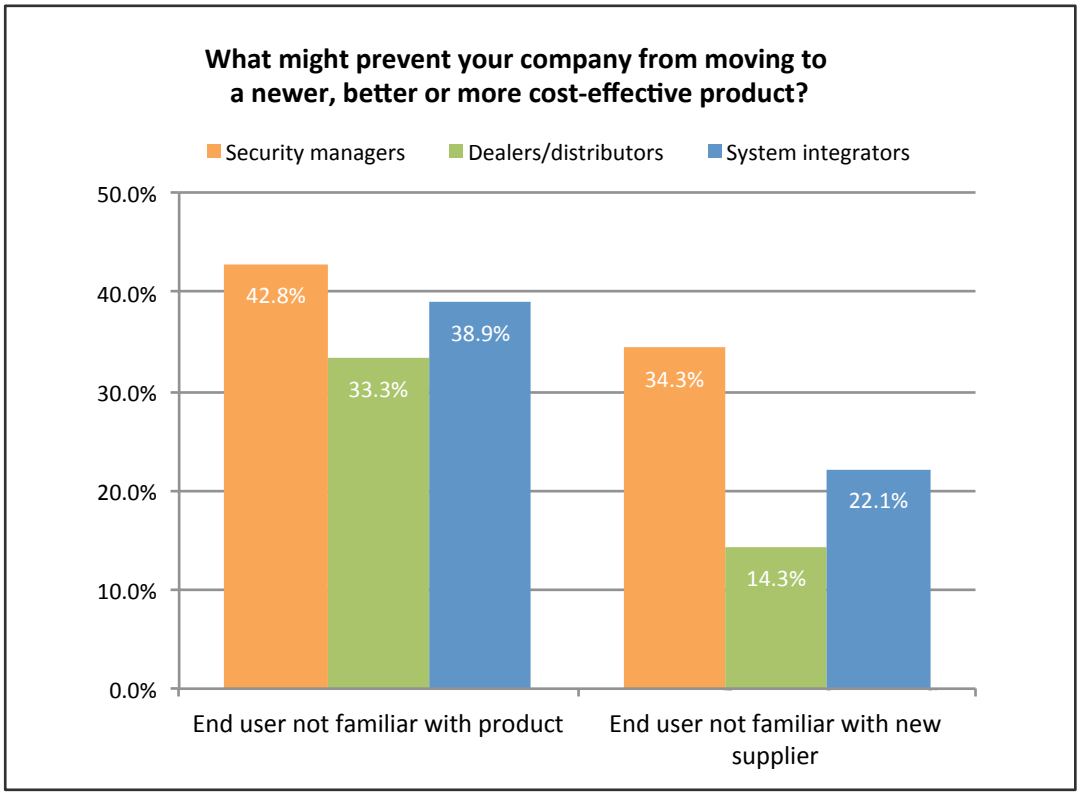
Brand awareness is more than twice as important to end users as dealers and distributors think

One important contrast between the three groups emerged when respondents were asked whether they thought a lack of product or company familiarity could block the first-time sale of a product at their company, or at their client end-user's company.

From the security managers' responses, it is clear that they view both product familiarity and supplier or brand familiarity as important during a purchase: 42.8% say that a lack of product familiarity would prevent a sale, while about a third (34.3%) say that lack of familiarity with the company providing the product could also prevent a sale.

Both dealers/distributors and system integrators somewhat underestimate the importance of product familiarity to end users: System integrators underestimate security managers' concerns by about 4%, while dealers/distributors underestimate them by about 10%.

However, the most significant discrepancy is in understanding the importance of company familiarity to end-users. While 34.3% of security managers feel that "lack of familiarity with the company" could prevent a sale, only 22.1% of system integrators and fewer than half (14.3%) of dealers and distributors realize end users see it as the deal breaker this obstacle can be.



FINDING #12, continued

Brand awareness is more than twice as important to end users as dealers and distributors think

Lack of company familiarity, better known as brand awareness, can kill one in three first-time sales, yet dealers, distributors, and system integrators all underestimate the amount of importance it holds for security managers. Says James Connor, "When most business people buy a new product, the key question is, 'Does it solve my problem?' But for security people the key question is, 'Will this be too risky?'" Buying from a company that is familiar makes a purchase seem less risky.

Lack of brand awareness can kill one in three first-time sales

FINDING #13

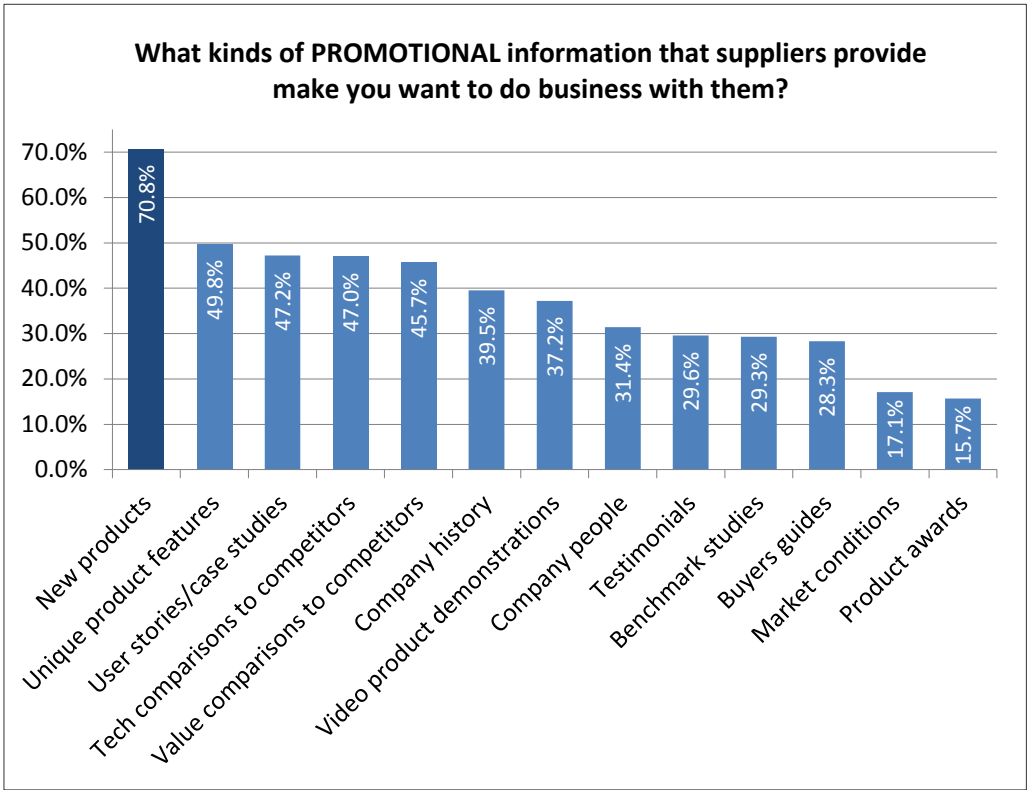
The most persuasive promotional content for motivating customers to buy is about new products

As has already been demonstrated in Findings 8 and 9 in this report, buyers in the security industry do not generally contact a company's salespeople until later in the buying process, often when they have already decided what to buy. Therefore, catching the attention of these potential customers and motivating them in the earlier stages of the process must be accomplished through the supplier's marketing function. A key component of this is the posting of persuasive content to help influence the decision. But, what kind of persuasive content works best?

To find out which forms of promotional content most motivate customers, we developed a list of 13 basic promotional information types typically found in trade ads, promotional emails, and on supplier websites, and asked respondents to select the ones that would make them want to do business with the company providing it.

There was a clear winner here by a wide margin: Information about new products stands out as the single most persuasive kind of promotional information a supplier can provide to potential customers. In fact, it was selected as first choice by 70.8% of all respondents. Ron Murphy concurs, adding "I agree new products should be on top of the list here. The reason I look at magazines for new products is to find out what I can do differently. I don't need to know about doing things the same old way, I already know how to do that."

Information about new products is the most persuasive kind of promotional information a supplier can provide



FINDING #13, continued

The most persuasive promotional content for motivating customers to buy is about new products

Bob Hayes offers another explanation: "Security industry people like to know about new products because there are always new problems that need solving that have not been widely published or talked about. A new product could be the solution to one of those problems."

A new product tells a buyer if the company providing it is innovative, responsive to customer needs, or offering special value. For security industry buyers, new product announcements are more than just about the specs, they are an indication of where the company that created them is going, what new solutions are available, and where technology is headed. For marketers, new product announcements are among the most persuasive information they have to share.

"There are always new problems that need solving -- a new product could be the solution to one of those problems."

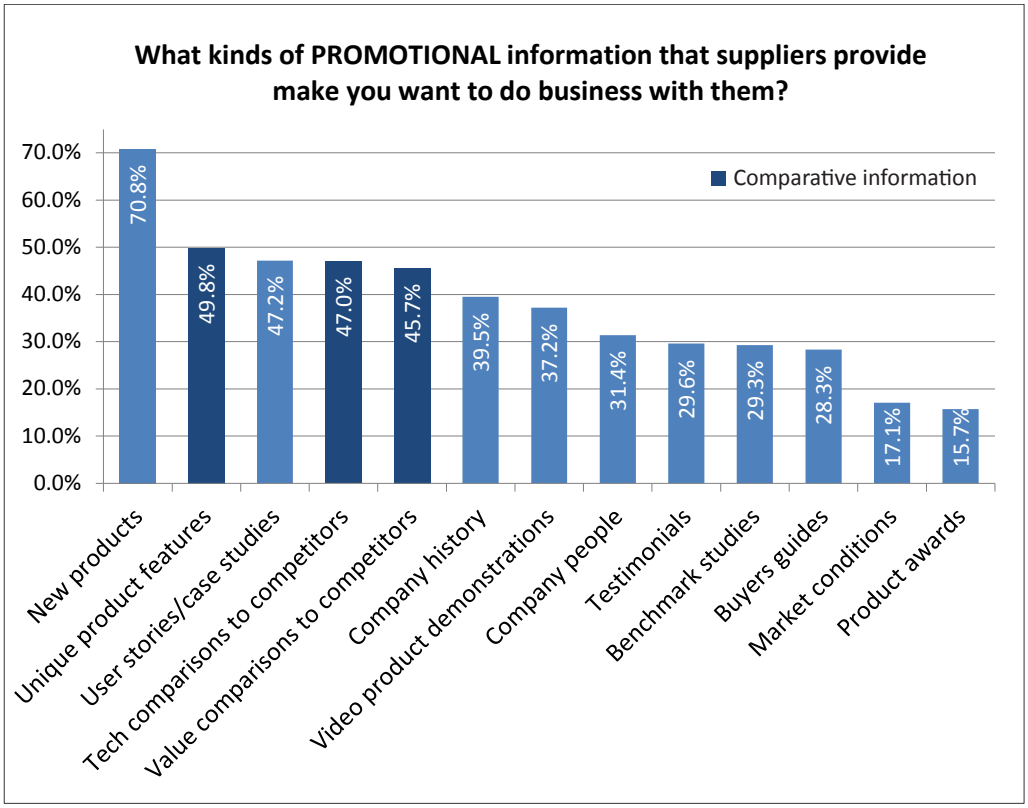
FINDING #14

Comparative information is the second most persuasive promotional content for motivating customers to buy

After new products, much of the promotional information that security industry buyers find most persuasive is comparative in content. In fact, of the top five most persuasive forms of information, three are comparative: Respondents find "unique product features" to be second most persuasive (49.8%). This is comparative because a product can be unique when compared to other products.

Also comparative in nature is the fourth most frequently selected content, "tech comparisons to competitors" (47.0%), as well as the fifth most selected content, "value comparisons to competitors" (45.7%). Considering this, it's clear that security industry buyers are looking for information that makes comparisons. However, some approaches work better than others.

While harsh competitive marketing can turn buyers off, non-manipulative comparative information that helps buyers understand the true differences between products is extremely important. Says Gene Perry, "I want to weed out the chafe and get to the nuts and bolts of what a product can do that is different than any other. Unless a product is unique, interesting, or models a requirement that no one else is providing, I will just buy from the cheapest supplier whose product gets the job done."



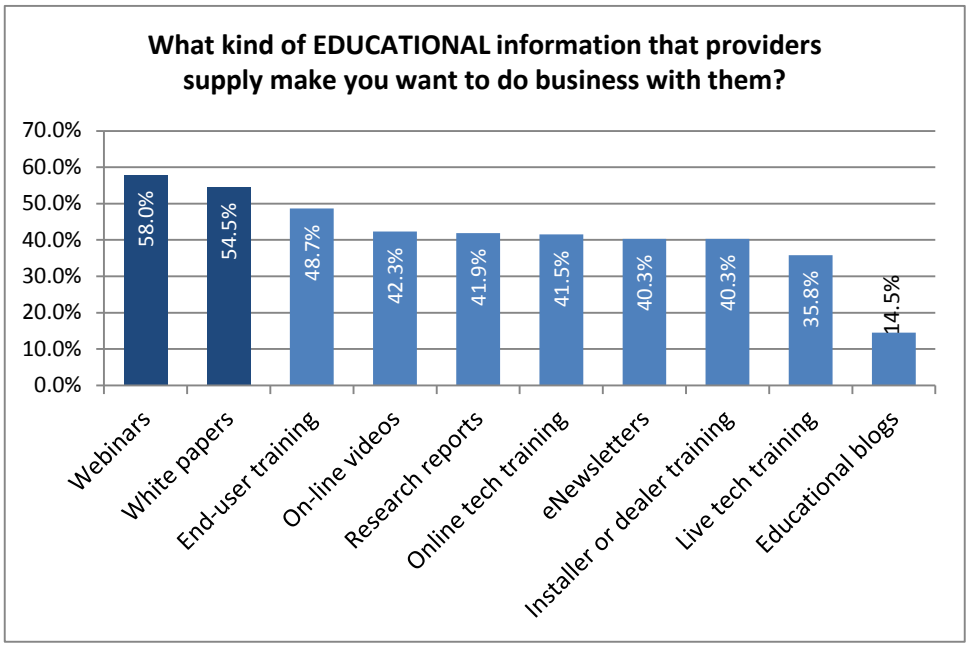
Of the top five most persuasive forms of information, three are comparative

FINDING #15

Webinars and white papers are the most persuasive forms of educational content

At many companies, creating promotional content is a high priority while educational content struggles for funding. This is because educational content is often seen as providing no tangible sales benefit, only goodwill. However, we wanted to test that assumption and find out whether any educational content can actually motivate customers to buy.

We compiled a list of typical types of educational content found in the security industry and used them to develop the question. Instead of merely asking whether educational content was "useful" or "helpful," we framed the question in terms of actual sales benefit, asking whether each content type makes respondents feel they "want to do business" with the companies that supply it. Interestingly, respondents say that some educational content motivates them during the buying process as much as promotional content can. Of these, the educational content types that respondents rated the most motivational are webinars (58%) and white papers (54.5%). This is no surprise to Gene Perry: "When a supplier offers educational information through webinars and white papers, it shows off their technical ability, but also shows off their ability to tactically deploy their products as well."



Educational content is often seen as providing no tangible sales benefit, only goodwill

FINDING #15, continued

Webinars and white papers are the most persuasive forms of educational content

Educational options that are available on demand are more motivational than ones that cannot be time-shifted, such as in-person events, because they are more easily scheduled. Explains James Connor, "When you work in-house as a security manager, you often don't have control of your schedule. When I was a security manager my schedule was not my own -- I had an administrator who kept track of my appointments. In that situation, being able to view a webinar is much easier to schedule, especially if it has been recorded and can be viewed on demand."

Respondents say that some educational content motivates them during the buying process as much as promotional content can

FINDING #16

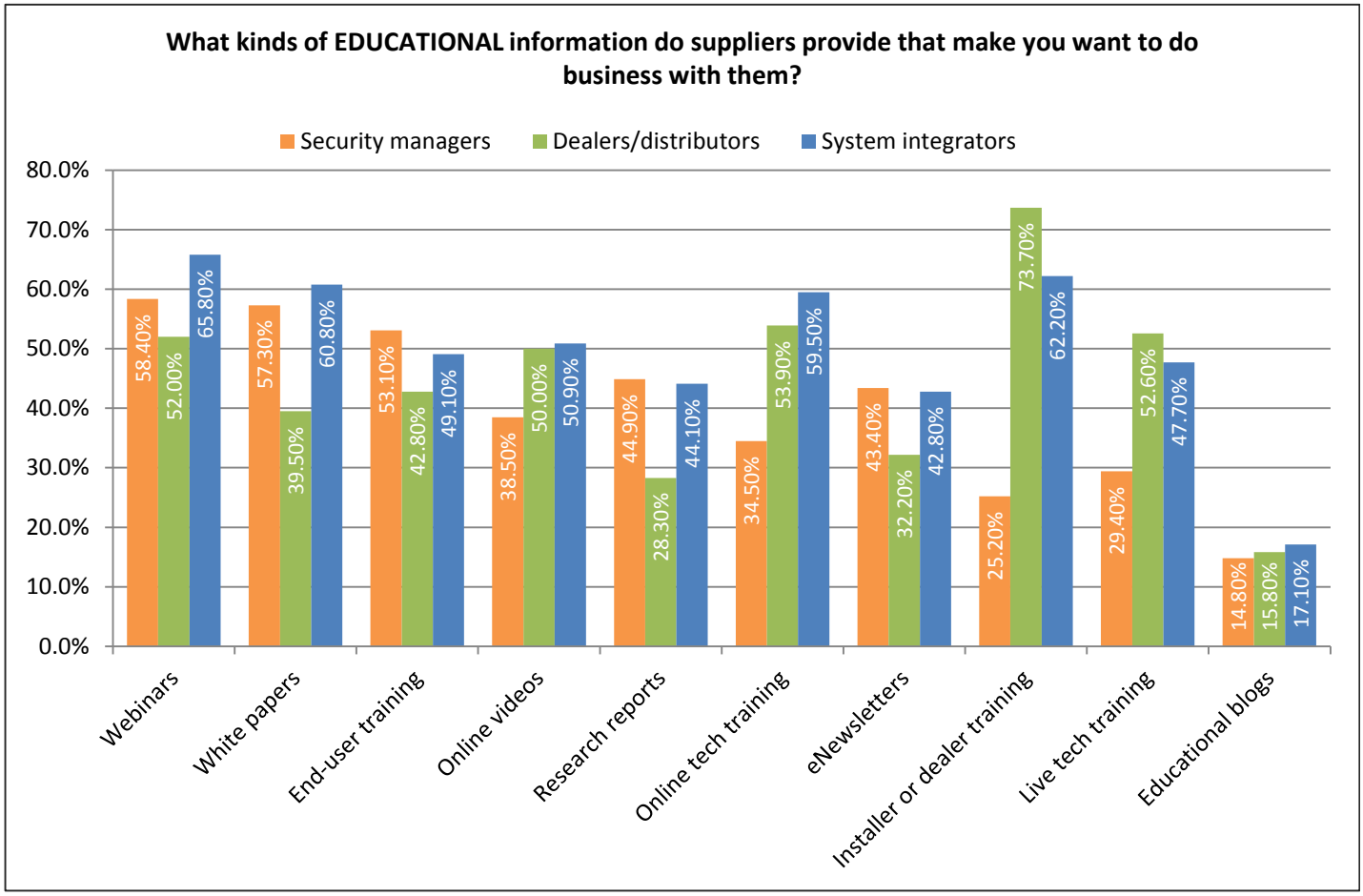
For dealers and distributors, supplier-provided training is the most persuasive form of educational content

Supplier-provided training is as important as a feature of the product

When preferences for the most motivational form of educational content were cross-tabulated by the three job groups, we found big differences in their top choices. By a wide margin, dealers and distributors prefer supplier-provided training that targets their needs, with 73.7% choosing "installer or dealer training." For security managers and system integrators the top choice is webinars (65.8% for system integrators, 58.4% for security managers).

The score for dealer and distributor training was the highest of any group for any option in this question. In the security industry, training can add real value to a product for an end-user. According to Brad Baker, "Having the ability for my technicians to be trained online has been the differentiator between picking suppliers. All my technicians are extremely busy and it costs a lot of money to send them to a classroom. Providing online training saves a lot of money and time."

In the case of dealers and distributors, supplier-provided training is more than just educational information that informs; it is as important as a feature of the product.



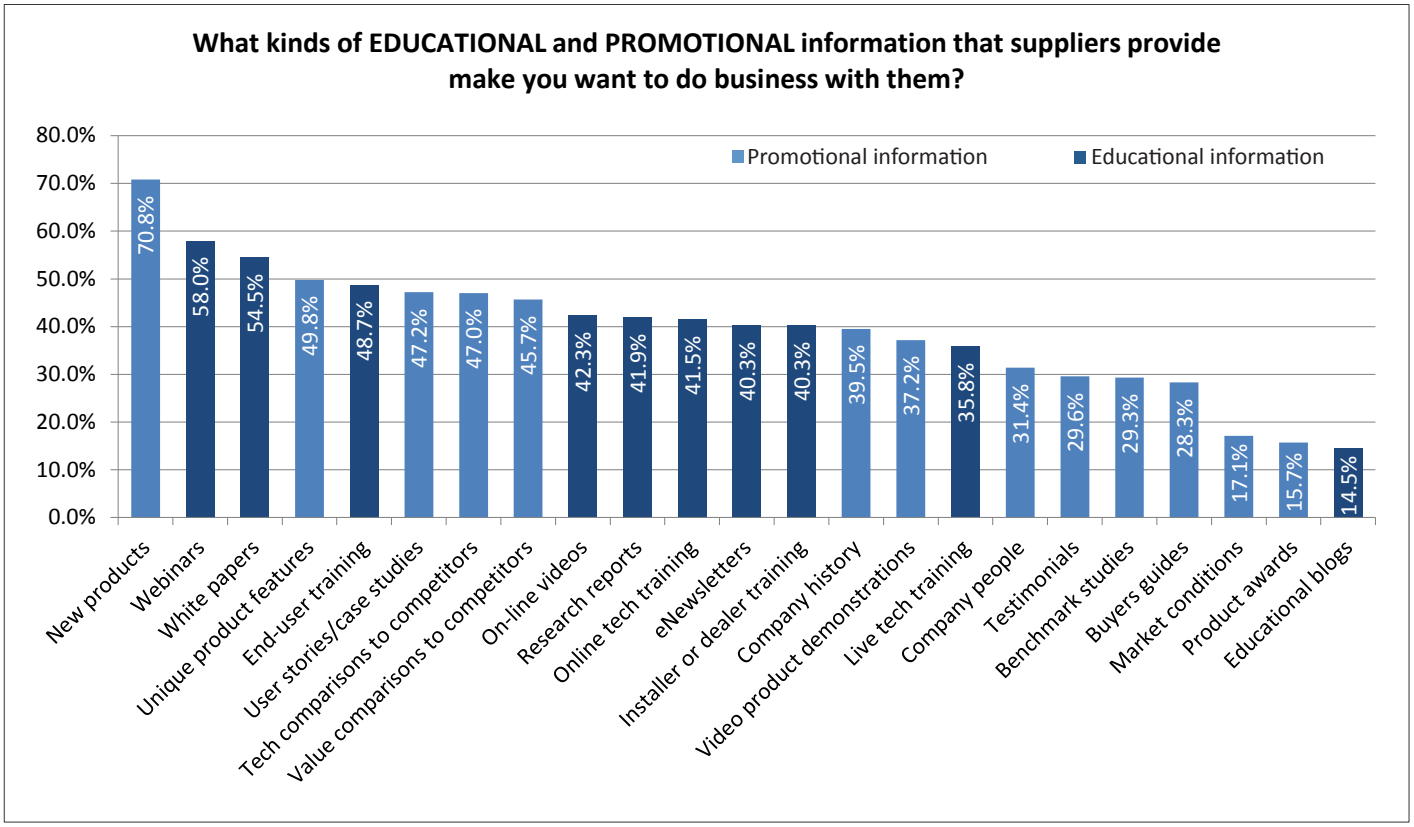
FINDING #17

Educational content is as effective as promotional content in motivating customers to buy

Educational content can be key in attracting buyers during the critical early stages of a product purchase

In the two preceding findings we looked at the persuasive potential of 13 promotional and 10 educational forms of content separately. In this chart, we combined all 23 to see how all forms of content – promotional and educational -- rank when compared side by side. The results were very revealing. Contrary to the commonly held perception that only promotional content drives purchases, it appears that three of the top five forms of content that respondents say motivate them to buy are actually educational.

While the most persuasive form of content, new products, is promotional (70.8%), just behind it, in second and third place respectively, are the two leading forms of educational content, webinars (50.8%) and white papers (54.5%). Respondents chose an educational content type for fifth place as well: end-user training (48.7%). A look at the rest of the chart shows respondents' preference for promotional and educational information alternating throughout; clearly they see both as persuasive. But while both can motivate customers to buy, they each do so in different ways. Promotional content advocates for specific products by providing news of new products, unique product features, and comparative information that shows advantage. Without promotional content, buyers would not be aware a product existed that could help them.



FINDING #17, continued

Educational content is as effective as promotional content in motivating customers to buy

The high value of educational content is a reflection of the technological complexity of many of the products in the security industry today. If those products were as simple to buy as toothpaste, educational content would not be necessary. But today's security technology buyers are required to evaluate such a wide variety of products that no one can be an expert on them all. Before they can buy or even complete an evaluation, they often need non-product-specific education on the technology these products are based on.

Educational content can be key in attracting buyers during the critical early stages of a product purchase, before actual product selection is considered. As the decision-makers define their security priorities and research competing technologies, they are not yet searching for information on product specs or details, but on overall deployment strategies. If your marketing department has content that is helpful during this time it can be a big advantage. Later on, when the actual product selection is being made, promotional content becomes critical as the focus shifts to product detail.

Looked at in this way, the results in the side-by-side comparison chart makes sense: Both educational and promotional content are persuasive and necessary. Each is useful to the customer at different times in the buying process, and both work together to drive a sale.

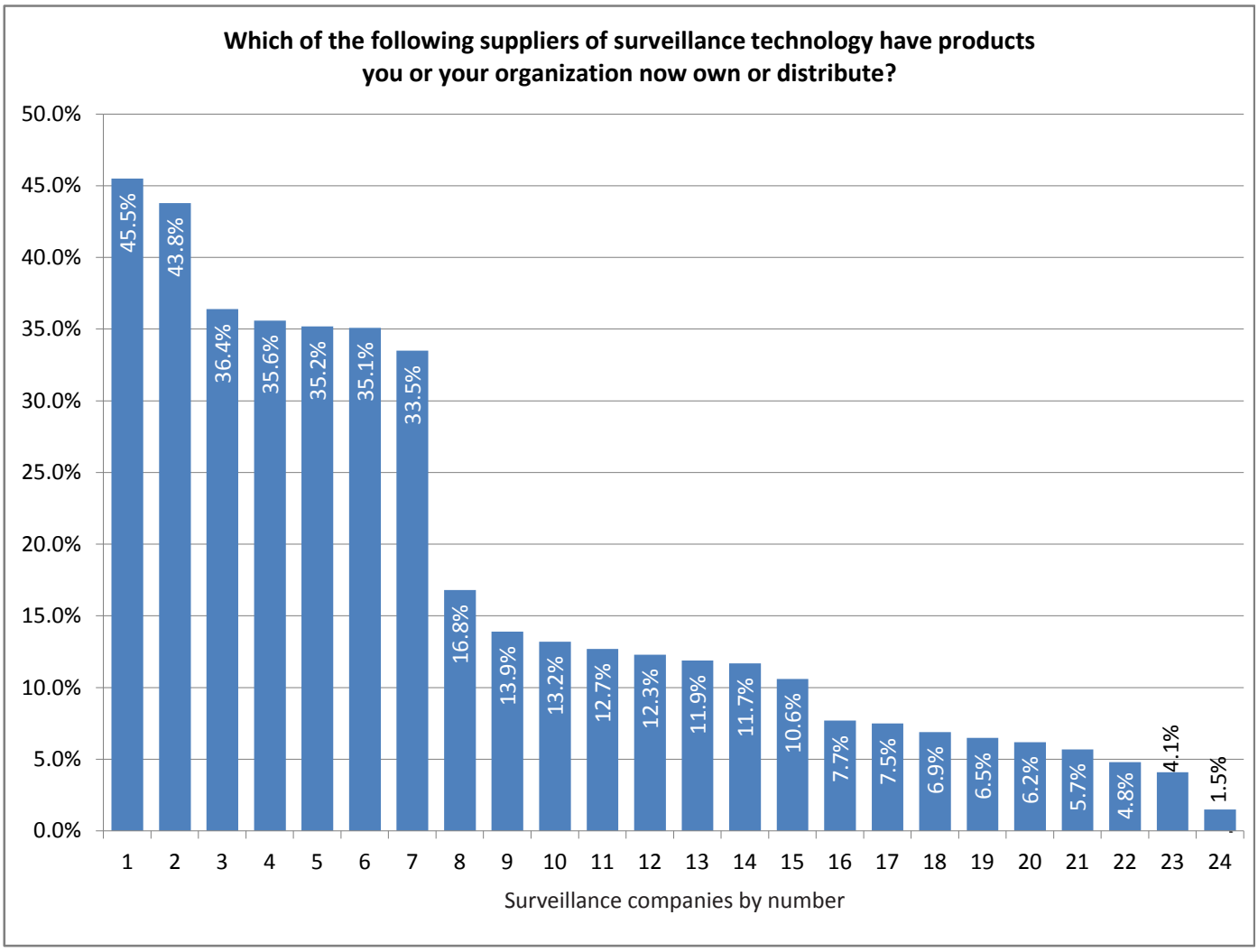
If security industry products were as simple to buy as toothpaste, educational content would not be necessary

FINDING #18

Seven surveillance technology suppliers have more than twice the market penetration of any others, but no one dominates the market

In Finding #10 we saw how advantageous a large customer base can be in the security industry. Because most surveillance products are used as part of a network, once a product is integrated into that network, switching to a different brand can be difficult. Even when a network expands, it is usually the incumbent suppliers that benefit.

For this Finding, respondents were asked which products they currently own, selecting from a list of 24 surveillance technology suppliers. The list is comprised of all the largest suppliers by market share according to the IMS report, "America's Market for CCTV and Video Surveillance Equipment," as well as some smaller suppliers that were included to offer contrast in company size and product mix. (For the full list of companies, see Methodology, pages 48-49 of this report.)



FINDING #18, continued

Seven surveillance technology suppliers have more than twice the market penetration of any others, but no one dominates the market

When respondents were asked which suppliers' products they now own, seven companies dominated the response: Two organizations had market share in the low to mid 40s, and another five had scores in the 30s. After that, market share dropped way down to 16.8% and much lower.

If you work for one of the hundreds of companies marketing surveillance products, consider that seven large companies, each with a market penetration of 33.5% or more, have the momentum of product ownership on their side. However, the good news for any company looking to grow their business is that, while this represents a lot of competition, no one of these big seven suppliers dominates with a market penetration of over 50%.

When a network expands, it is usually the incumbent suppliers that benefit

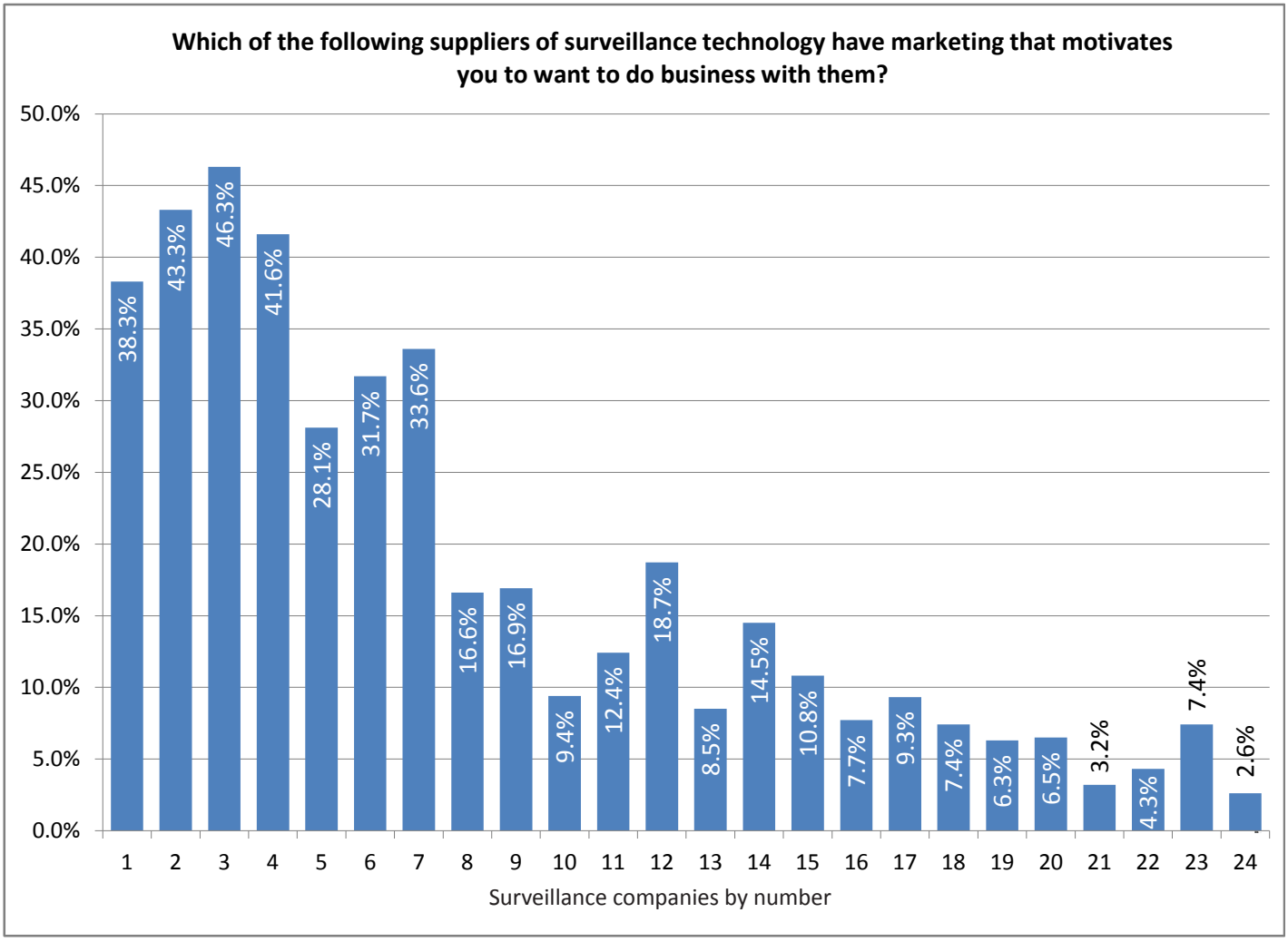
FINDING #19

Customers are more likely to be influenced by marketing from the companies whose products they already own

How do you rate marketing effectiveness when marketing itself seems so subjective? If members of a marketing team sometimes cannot even agree on the effectiveness of one advertising headline over another, how is it possible to apply a universal metric?

The answer was remarkably simple: Ask the customers to rate the marketing that targets them! Using the same list of 24 suppliers of surveillance technology from Finding #18, respondents were asked to select the companies whose marketing motivates them to want to do business.

Not too surprisingly, the seven companies whose products respondents report owning the highest number of were also the seven companies respondents rank highest in terms of marketing that motivates them. But, while it is clear that the size of the ownership base affects marketing influence, must these two measurements always correlate so closely?



FINDING #19, continued

Customers are more likely to be influenced by marketing from the companies whose products they already own

In theory, at least, if any company, large or small, develops a brilliant marketing plan that communicates its products' benefits better than any other company, that company should have the highest motivational marketing score. However, marketing programs are impacted by how motivated customers are to pay attention to them in the first place. As a result, not every message gets considered. Product ownership is clearly one of those filtering factors. Customers who already own a company's products are more likely to be influenced by marketing from that company. Conversely, they are more likely to ignore marketing messages from companies whose products they do not own. Therefore, the size of the ownership base gives marketing greater influence.

However, while size confers advantage, it does not assure success. Looking at the seven largest companies, there is not a straight one-to-one correlation between their ranking for marketing effectiveness and their ranking for product ownership. For example, the company with the highest ranking for product ownership (Company 1) has only the fourth most influential marketing, while the company with the number one most influential marketing (Company 3) ranks only third in terms of product ownership.

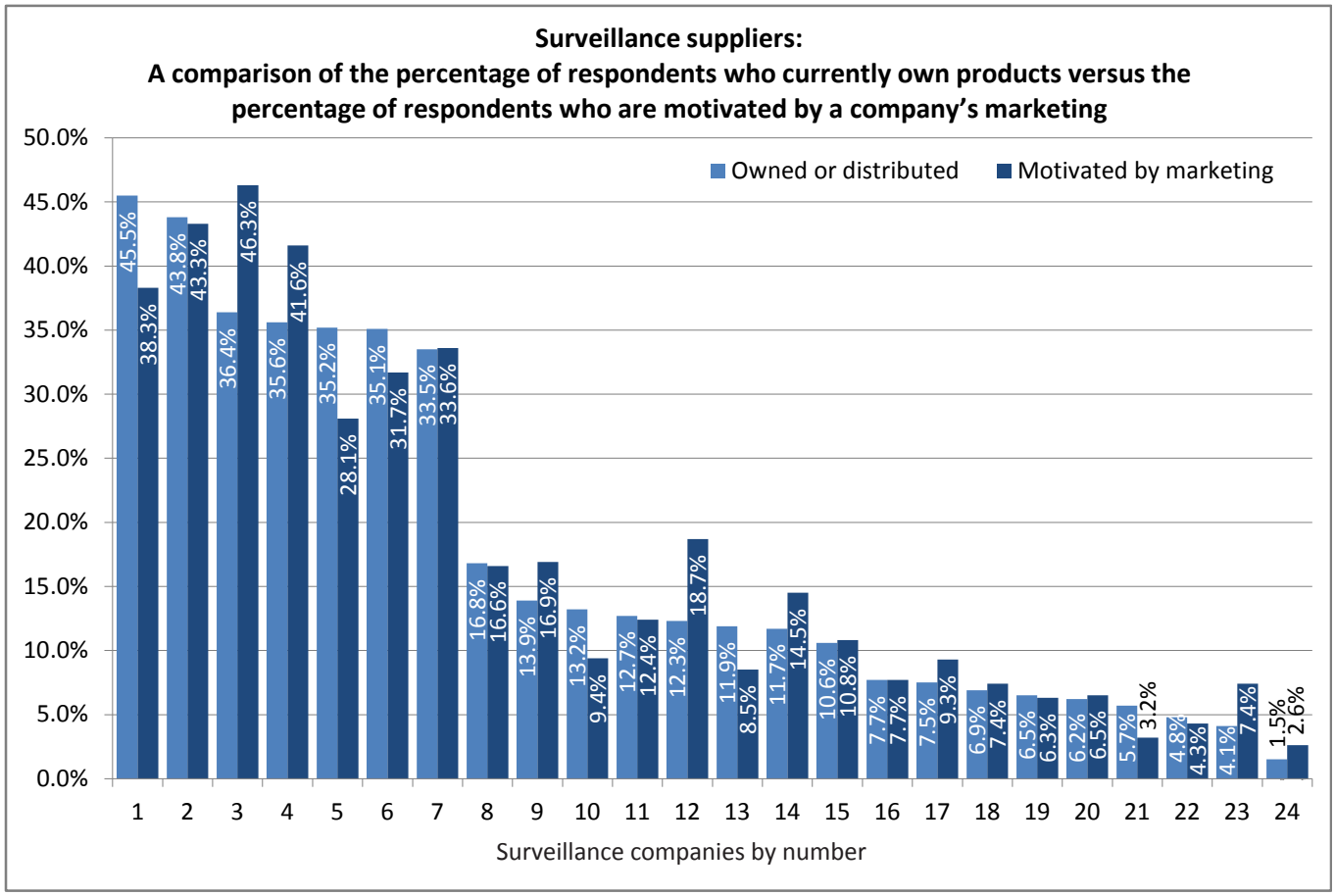
Customers are more likely to ignore marketing messages from companies whose products they do not own

FINDING #20

Responses in the surveillance category show evidence of a turbulent marketing environment

The relationship between the percentage of respondents who are a company's current customers versus the percentage of respondents who are motivated by that company's marketing is a strong indicator of how effective that organization's marketing is. Because a company's current customers are far more receptive to its marketing messages than are its non-customers, when the percentage of respondents motivated by its marketing exceeds the percentage who actually own its products, this indicates that the marketing is motivating not only its current customers, but also its non-customers. This is illustrated in the accompanying chart, which shows the results of Findings 18 and 19 compared side by side.

Of the surveillance companies measured here, one third (8 of the 24) have marketing that motivates more customers than their company now has, while one quarter (6 of the 24) have marketing that motivates fewer customers than their company now has; 11 of the 24 have about the same number of customers as their marketing now motivates. In the surveillance category this shows evidence of a turbulent marketing environment, where some organizations are using marketing to pull ahead, while others are not.

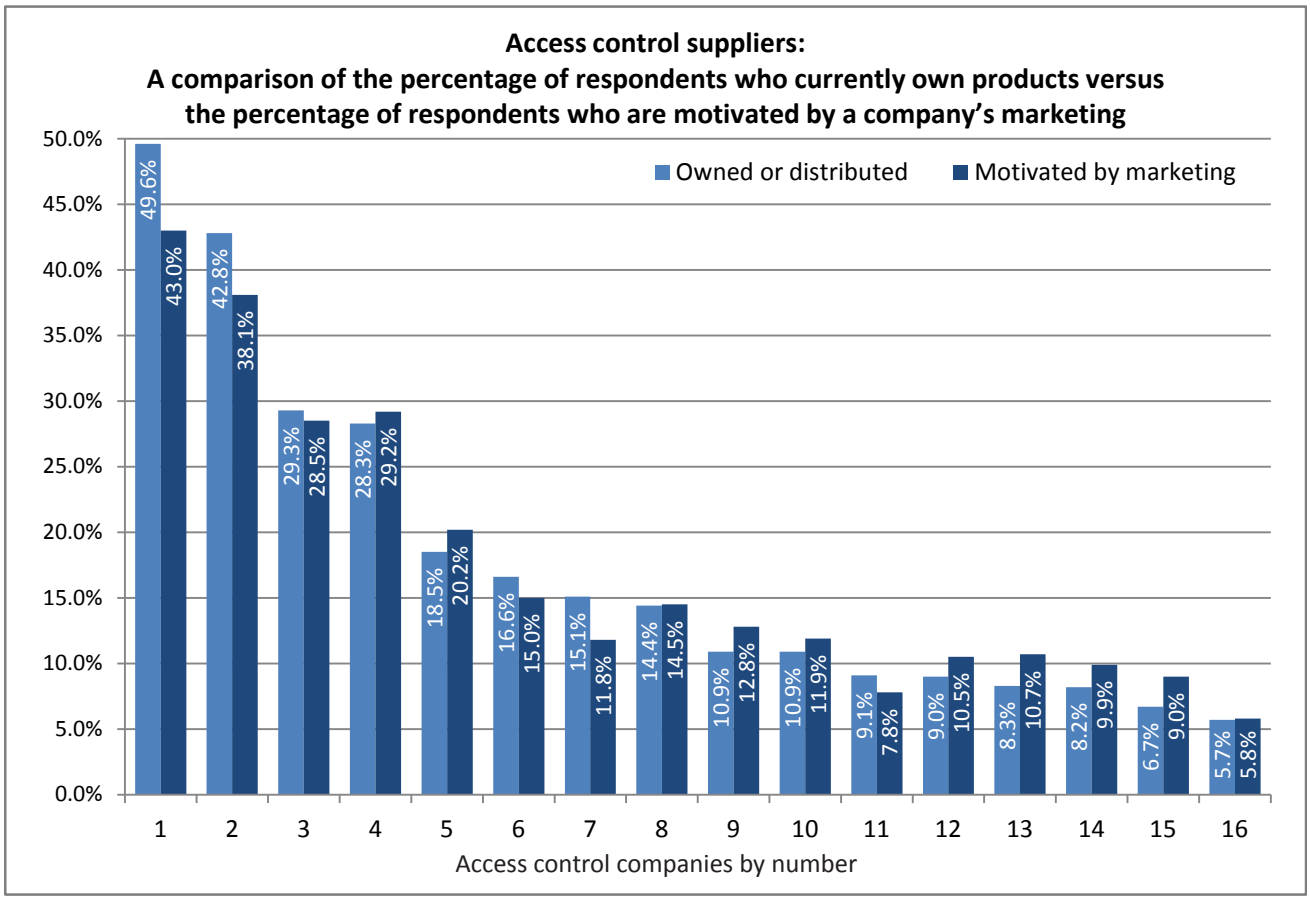


FINDING #21

Access control marketing reinforces existing customers as smaller companies move ahead

In contrast to the surveillance category, things are comparatively stable in access control: For most of the access control companies in this study, the percentage of their current customers and the percentage of total survey respondents who say they are motivated by that company's marketing are fairly close. Only two companies stand out with any significant incongruity here. For each of them, the percentage of respondents motivated by their marketing was lower than the percentage of their current customers.

Surprisingly, those two companies were the ones with the largest number of respondents who reported owning their products (Companies 1 and 2). For Company 1, 49.6% of respondents own their products, yet only 43% reported that they are motivated by the company's marketing -- a 6.6% difference. Likewise, 42.8% of respondents said they own Company 2's products, yet only 38.1% are motivated by its marketing -- a 4.7% difference. For the 14 remaining companies in this category, many of which had much smaller numbers of respondents who own their products than Company 1 or 2, it is interesting to note that 10 of the 14 had higher numbers of respondents motivated by their marketing than the percentage of respondents who own their products.



FINDING #21, continued

Access control marketing reinforces existing customers as smaller companies move ahead

This means that their marketing is motivating more than just their customers, it is also reaching non-customers. It seems, in this study at least, that in the access control category, it is the smaller companies who are the marketing innovators.

Although the differences in percentage were small, with 2.4% being the largest one, consider that for this particular company, for which 8.3% of respondents own their products, that difference represents a 29% increase over their existing customer base -- impressive marketing effectiveness for a small company.

In access control, smaller companies are the marketing innovators

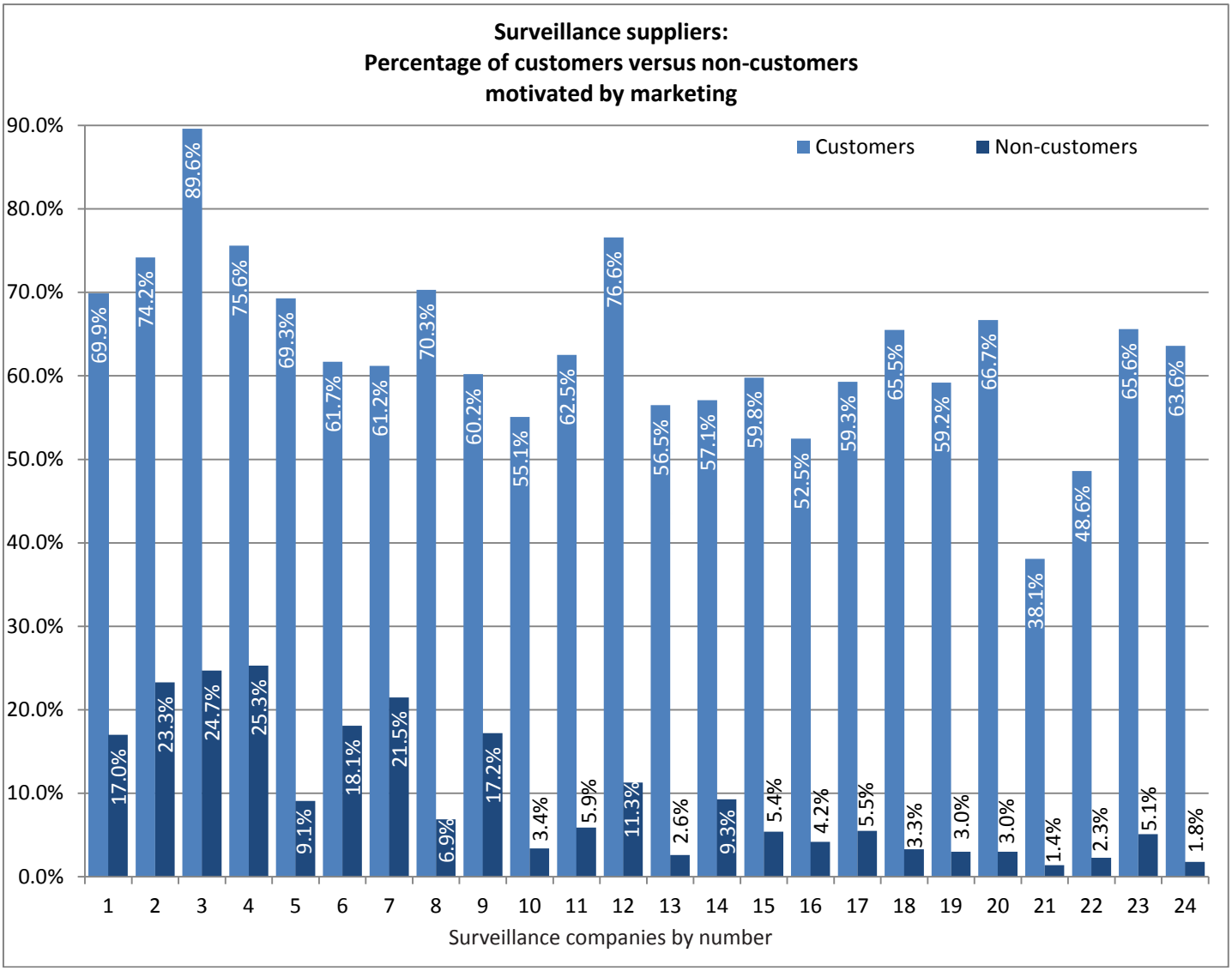
JOSH GORDON GROUP

FINDING #22

Success in marketing to current customers does not assure success with non-customers

When we averaged the responses of the current customers only, for each of the 40 suppliers in this study, 65.9% said that the suppliers' marketing motivates them to buy. Customer ratings for the access control suppliers' marketing averaged slightly higher, at 69.9%, while ratings for the surveillance suppliers' marketing averaged 63.3%, but in general, the results were not far apart.

The results were dramatically different when we averaged the responses from all the non-customers of the 40 suppliers in this study: Only 8.4% said they were motivated by the companies' marketing -- 9.6% of the surveillance suppliers and 7.7% of the access control suppliers. Clearly, marketing has a home-court advantage when communicating with existing customers.



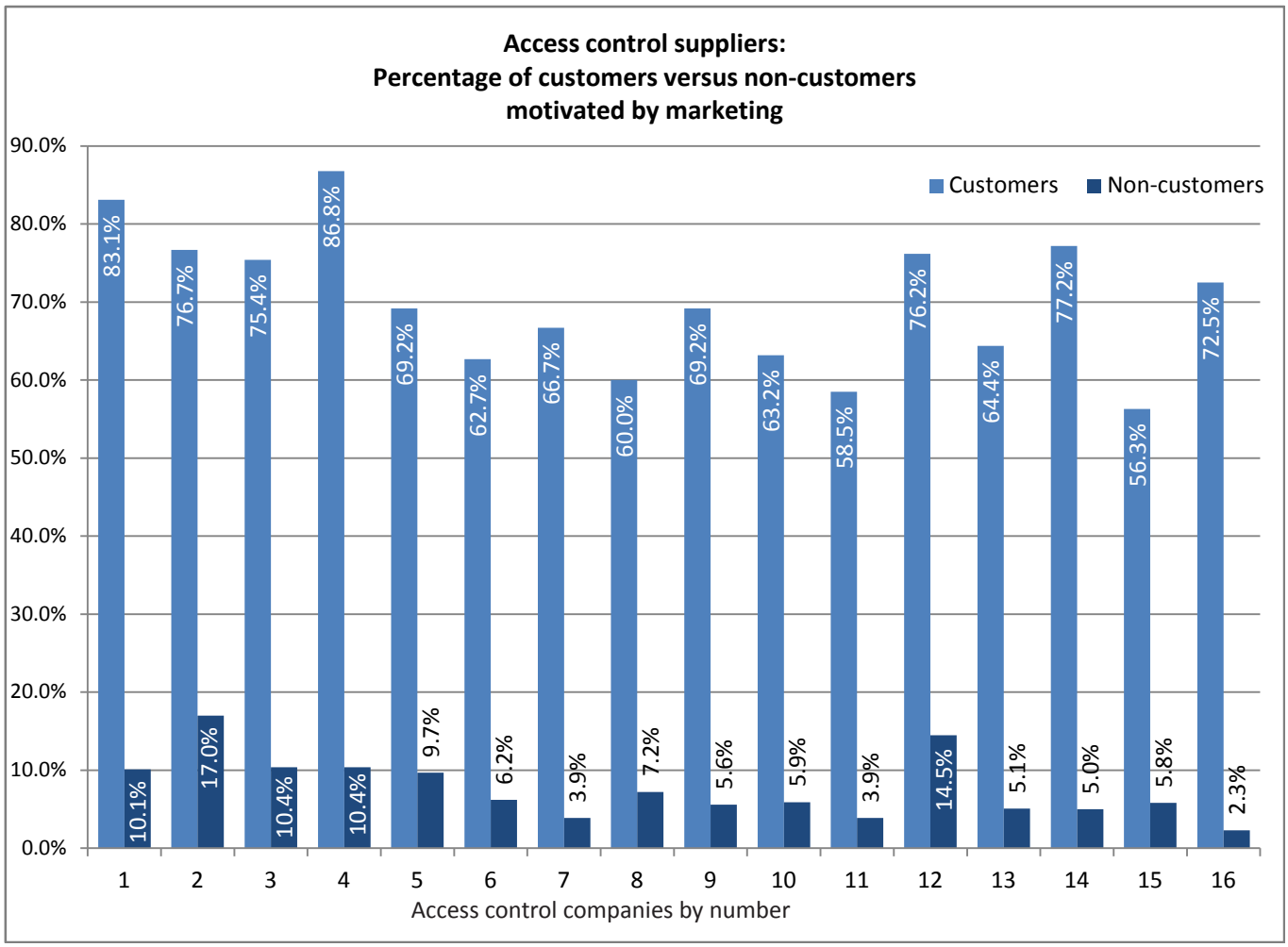
FINDING #22, continued

Success in marketing to current customers does not assure success with non-customers

But, why should there be such a large gap in the effectiveness of marketing between current and non-customers? Here are several possible explanations:

If a customer cannot switch suppliers, why pay attention? If a buyer is locked into one supplier, they will be less motivated to pay attention to the marketing messages of other suppliers. According to James Connor, "In the security industry there is not a lot of movement between brands because once you get locked into one brand, it's hard to get out. Once you have millions of dollars' worth of access control technology installed at your facility, you are not going to see a different brand unless you change jobs."

Non-customers are not on the mailing list: A lot of marketing is delivered through 'opt-in' lists. According to Brad Baker, "It would be highly unlikely for me to receive promotional information from a company I don't do business with because I would not be on their list.



FINDING #22, continued

Success in marketing to current customers does not assure success with non-customers

Current customers are the ones receiving their marketing materials." List-based marketing requires customers to opt in, and few non-customers subscribe to a company newsletter, webinar sign-up list, blog feed, Twitter feed, or LinkedIn group notification list.

Over-reliance on internal media: The current media-buying trend is toward less marketing dollars spent on third-party media, such as trade publications and their related electronic media, and more marketing dollars spent on internal company media such as the company website, newsletter, or social media activities. However, a core strength of third-party media is that it reaches customers and non-customers alike, whereas internal media reaches mainly current customers.

While it is unquestionably harder to motivate non-customers with marketing than current customers, clearly it can be done, as shown in the accompanying two charts, one for surveillance companies and one for access control companies. Both charts offer side-by-side comparisons between the effectiveness of individual companies' marketing to their current customers and to their non-customers.

Marketing to non-customers is a whole different kind of sell than marketing to customers

There appears to be no direct correlation between companies that best motivate their current customers and ones that best motivate new ones. On the surveillance supplier chart, Companies 2, 3 and 4 have high scores with both customers and non-customers. However, Companies 6, 7, and 9 are also among the top motivators of non-customers, yet their scores for motivating current customers are only in the lower midrange. On the access control supplier chart, the top two companies for motivating non-customers (Companies 2 and 12) only score fourth and fifth at motivating current customers.

Despite the odds, seven companies are reaching significant numbers of non-customers with their marketing, each motivating over 17% of their non-customers to buy from them. Of the seven, six are in the surveillance category, and one is in access control. They are among the larger companies in their categories, but not necessarily the largest ones, although the one company in access control is the second largest.

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It is interesting to note that in this study, significantly more of the surveillance companies appear to be motivating larger numbers of non-customers than are access control companies (7 as opposed to 1). Some of this can be accounted for by the fact that there were a greater number of surveillance companies included in the study than access control companies (24, as compared to 16), but this goes way beyond that differential.

FINDING #22, continued

Success in marketing to current customers does not assure success with non-customers

On the other hand, while some surveillance companies may be motivating non-customers in larger numbers, more access control suppliers overall are motivating non-customers, although in smaller numbers.

However, the chart in Finding #21 shows that 10 of the 16 access control companies, or 62.5%, are also motivating non-customers in addition to their current customers. Referring to the chart in Finding #20, we see that 12 of the 24 surveillance companies, or 50%, are motivating non-customers in addition to their current customers.

Therefore, a greater percentage of access control companies are motivating non-customers than are surveillance companies; the difference is that the actual numbers of access control non-customers are smaller by comparison.

Despite the challenges of motivating non-customers with marketing, these results show that it can be done. Three companies have marketing that is motivating about one in four non-customers to buy. Four more companies have marketing that is motivating one in six non-customers to buy. Smaller companies can do it too: the sixth best performing company at motivating non-customers is actually only the ninth largest by market share (Company #9 on the surveillance chart).

It seems likely that many companies do not have marketing strategies to influence current and non-customers in unique ways. A current customer who needs an additional security camera has a big choice to make: simply reorder a camera from the current supplier or begin a new relationship with a new supplier. The obvious, simpler choice is to reorder. Bringing in a new product from a new supplier involves evaluation of a new product, negotiation of new terms, setting up a new business relationship and getting approval from IT and all decision makers, not to mention putting the security network at risk by introducing the new product. These are two very different customer journeys; it stands to reason that the marketing messages needed to influence them should be different as well.

METHODOLOGY

The Survey

To reach the most representative sample of North American security industry customers, we distributed a survey questionnaire through the digital resources of the security publishing brands who know this market best. We were very grateful that the nine leading North American security publishing brands partnered with us to accomplish this. They are (in alphabetical order):

- *Campus Safety*
- *SDM*
- *Security*
- *Security Dealer & Integrator (SD&I)*
- *Security Director News*
- *Security Management (ASIS)*
- *Security Sales & Integration*
- *Security System News*
- *Security Technology Executive*

Questionnaire distribution began on April 29, 2013. Because we were deploying nine different databases, data collection took a little over two months, with the survey closing on July 9, 2013. A total of 1,090 responses were received.

How companies were selected for this survey

In Findings #18 to 24, a total of 24 surveillance companies and 16 access control companies were selected to represent the hundreds of companies in each product category. To assure we had the top companies represented, about half were picked because they ranked as the top organizations by market share in the IMS Research (now IHS) report "America's market for CCTV and video surveillance equipment." The rest of the suppliers were chosen to offer contrast in size and product mix to the largest companies. Due to severe space limitations we were not able to include many other deserving companies in this study.

The 24 surveillance suppliers included in this study are (in alphabetical order):

- ACTi Corporation
- Altronix
- Arecont Vision
- Axis Communications
- Bosch Security Systems
- Canon
- CBC Electronics
- Everfocus Electronics
- Flir
- Fuji Film
- Honeywell
- IQinVision
- March Networks
- Middle Atlantic Products
- Mobotix
- Observint Technologies
- OnSSI
- Panasonic
- Pelco
- Samsung Techwin
- SightLogix
- Sony
- Speco Technologies
- Vivotek

METHODOLOGY, continued

The 16 access control suppliers included in this study are (in alphabetical order):

- ASSA Abloy
- HID
- Morse Watchmans
- Honeywell
- DSX Access Systems
- Tyco Security Products
- ScanSource
- Datacard
- Ingersoll Rand Security Tech
- UTC
- Avigilon
- Keyscan Access Control Systems
- Detex
- Interlogix
- Napco Security Technologies
- Designed Security (DSI)

For additional questions about the methodology used in this study, please contact Josh Gordon at josh@joshgordon.com.

IN CONCLUSION

Seven Opportunities to Improve Your Marketing

From the beginning, the goal of this project was to identify opportunities for organizations to improve their marketing. As we look across all of the findings uncovered in the study, seven areas where marketing could be improved stand out. Here are our best recommendations based on the findings:

1. Have a marketing strategy that works for non-customers as well as customers

Companies that treat non-customers as merely potential customers who have not been sold yet will have fewer new customers. In making a new equipment purchase in the security industry, a company's current customers have already been pre-sold; its products are already integrated in their network and they have the benefit of experience with that company. By contrast, the new customer needs to go through a whole conversion process before they buy. In making an equipment purchase, current and potential new customers follow two very different "customer journeys" and may therefore have very different points of view. Marketing that motivates current customers succeeds by reinforcing an existing relationship, but marketing to non-customers needs to initiate a new one. Considering that most potential customers have their requirements satisfied with other technologies or suppliers, the challenge is to establish contrast and unique value. Non-customers need to be told why your product and company are different enough to be added to their limited list of suppliers. This is a much tougher job but, as we have seen, it can be done!

2. Build a "pre-sales contact" marketing strategy

With the majority of the buying process now occurring before salespeople are contacted, it is important to communicate your product message before your salespeople join the sales process. The solution is to place your product message before potential customers earlier in the product buying process. A good start is to place your message where non-customers are found. For this task your company website, newsletter, blog, and social media may less effective than third-party media from industry trade publications or other independent media.

3. Use more print media

At a time when digital and social media are grabbing the marketing headlines in other industries, in the security market print remains the top ongoing source of professional information. It might seem contrarian, but the security industry has an older demographic that prefers print. If print has not been effective for your company in the past, it might be time to rethink how to use it. Print usage has changed a lot since the rise of digital media. Today, print has great value because it is not an "opt in" medium, as are most digital media.

4. Get involved with LinkedIn

Social media has not caught on in the security market the way it has other industries. The exception is LinkedIn, which enjoys widespread usage by security professionals despite the general mistrust many have about other social media where people "share too much." In an industry wary of social media, LinkedIn is viewed differently because many see it as a way to gauge trustworthiness in others, by using it to find out whom else they know.

5. Make new product announcements about more than just the specs

New products announcements are the most important promotional information you can share, but buyers are looking for more than just the sum of their specs. As they review a new product, they are also assessing whether it solves a unique problem, offers unique value, maps to a new trend, or impacts an overall solution. Buyers use new product announcements to judge the company that creates them, the technology behind the products, the importance of the problem that the product solves, and the overall health of the product category itself. They see new product announcements from the point of view of their own needs: They want to know how a new product is different from products they may now be using as well as others they may be considering, and they want to know the impact the new product will have on their security operations.

6. Create more educational content

At many companies, investment in educational content or training is scarce. Yet this survey's results show that educational content can be as persuasive in the sales process as promotional content. Companies that ignore this fact are missing out on the benefits of a very powerful sales tool. Not all buyers understand the details of every product category they need to evaluate, and a company that can provide educational content to help supply the knowledge a buyer lacks will gain their trust and hopefully their business. Conversely, a buyer who understands a competitor's technology better than yours will more likely buy from them, not from you.

7. Listen to your non-customers

Current customers are eight times more motivated by marketing than non-customers, and industry wide only an average of 8.4% of non-customers are motivated by a company's marketing. It is a tough job to get non-customers to pay attention. But as has been shown in the Findings, some companies are doing it. Over the past five years, customer feedback obtained though digital and social media has increased dramatically. But while the rise of digital communications has made it easier to get feedback from current customers, it has made it harder to solicit that feedback from non-customers, who now can now duck your calls behind their voicemail and ignore your e-mails. As result, it is far easier to know what your current customers want or think than your non-customers. But, what if your customers have different characteristics or attitudes than your non-customers? This is critical information. To hear the voices of your non-customers, you need to talk to, survey, or listen to them in a systematic way. This is more work, but until you actually talk to a number of non-customers you will not know if or how they might be different from your current ones, or what they need.

ABOUT SIA AND THE JOSH GORDON GROUP

The Security Industry Association

The Security Industry Association (SIA) (www.securityindustry.org) is the leading trade association for electronic and physical security solution providers, with more than 450 innovative member companies representing more than 300,000 security leaders and experts who shape the future of the security industry. SIA protects and advances its members' interests by advocating pro-industry policies and legislation at the federal and state levels; creating open industry standards that enable integration; advancing industry professionalism through education and training; opening global market opportunities; and collaboration with other like-minded organizations. As a proud sponsor of ISC Events expos and conferences, and owner of the Securing New Ground® conference, SIA ensures its members have access to top-level buyers and influencers, as well as unparalleled learning and network opportunities.

The Josh Gordon Group

The Josh Gordon Group (www.joshgordon.com) is a marketing consulting organization that works with companies to improve their marketing effectiveness. What makes us different is our creative use of research to expand clients' understanding of their customers. We pride ourselves on uncovering insights about customers not known by our clients -- or their competition. Our approach is simple yet highly effective: With greater customer understanding comes stronger results.

For smaller companies who cannot afford a full time Chief Marketing Officer, we offer an economical alternative. By providing strategic expertise and project management, combined with ongoing research, we can help steer your internal marketing department or ad agency toward more productive activities.

For larger organizations we offer full market research capabilities as well as research-based, thought-leadership content development programs.

Finally, if your company was one of the 40 included in this study, we can offer a customized analysis based on the data gathered specific to your company and its market position.

For information, contact Josh Gordon at josh@joshgordon.com.