

World Network Camera Market: Key Findings 2010

- Year on year growth by 20% will continue until 2012. Key factors for the growth include intelligent video function technologies. -

Research Outline

Yano Research Institute has conducted a study on the world network camera market as described below.

1. Research period: November 2009 to March 2010
2. Research targets: Major manufacturers of network cameras in Japan and overseas
3. Research methodologies:
Face-to-face interviews with relevant personnel, supplemented by interviews via telephone and e-mail, and literature researches.

<What is world network camera market?>

In this research, network camera (IP camera) is defined as a business use camera equipped with server functions which can be linked to the Internet without interfacing with PC as required for analog surveillance camera. The market size has been estimated by adding the shipments of 37 major network camera manufacturers in Japan, Europe, US, China, Korea and Taiwan. (19 firms in Japan, 7 firms in Europe, 4 in US, 3 in Korea and 4 in Taiwan.

Key Findings

◆ World network camera market with 1.71 million units in 2009, continues to grow by 20% until 2012

The shipment volume of network cameras in the world market in 2009 was 1.71 million units, only a slight increase by 6.9% from the preceding year, due to the negative impacts of the global recession. The shipment of network cameras in the Japanese market in 2009 was also suppressed by the recession to 260,000 units (increase by only 4.0% from the preceding year). As the economy recovers, however, the world as well as Japanese network camera market will continue to grow steadily from now on, by 20% or so against preceding year until 2012.

◆ The boom of network camera has been supported by 6 growth factors and 3 key technologies

The growth of network camera market is supported by 6 driving factors, comprised of "Termination of analog TV broadcasting", "Penetration of FTTH subscriber lines", "Increase of strategic implementation", "Progress of cost reduction in large size systems with the use of network cameras", "Vitalization of sales as the work of installation shifts from construction companies to system integrators", "Live video distribution by the providers enhancing the demand". Also, there are 3 key technological issues for the further popularization, "Improvement of camera resolution to mega-pixel level", "Addition of intelligent video system (IVS)", and "Introduction of ECO (power saving, CO2 emission reduction) camera".

Report format:

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◆ Research Summary

1. Steady growth of the network camera market toward 2010, supported by 6 driving factors

The world shipment of network cameras has considerably increased from 1.08 million units in 2007 to 1.6 million units in 2008 (increased by 48.1% over the preceding year), but is expected to remain to be 1.71 million units in 2009 (slight increase by 6.9% over the preceding year) due to the negative impacts of the global recession.

The shipment of network cameras in Japan, as well, has increased from 0.2 million units in 2007 to 0.25 million units in 2008 (increased by 25.0% over the preceding year), but is expected to be 0.26 million units in 2009 (increase by only 4.0% over the preceding year), due to the negative impacts of the recession.

In the future, however, along with the economic recovery, the world as well as the Japanese network camera market is expected to grow steadily, by 20% or so against the preceding year until 2012. Following 6 factors are expected to support the steady growth of the market.

- 1) Termination of analog broadcasting
Analog broadcasting will be terminated in the next few years, and the digital environment will prevail in the global market. In such market environment, the use of analog devices will become more costly, which will enhance the digitalization of surveillance cameras (=network camera).
- 2) Penetration of FTTH subscriber lines
Along with the recovery of economy, the construction of new buildings and factories will increase in the global market, and many of such new facilities will be equipped with FTTH subscriber lines. With FTTH infrastructure in place, network cameras will be installed as it will be easier.
- 3) Increase of strategic implementation
Conventionally, administrative department has been responsible for the selection, installation and management of surveillance camera systems. In case of the introduction of network cameras, however, the responsibility is being shifted to the information system department. Instead of administrative department with highest priority on reducing the cost, information system department would try to utilize network camera system more strategically for shop floor marketing, such as analyzing the gender and age of the customers who showed their interests in a specific new product by the use of intelligent video function of the network camera system, and to utilize the obtained information for future product development. Thus, the introduction of network camera system will be enhanced.
- 4) Progress of cost reduction in large size systems with the use of network cameras
The unit price of network camera may be a little more expensive than analog surveillance camera. However, higher resolution of network camera permits to cover wider area with a fewer number of cameras. Further, displays and data input equipment of the corporate ICT system can be used for the network camera system as well, it is possible to achieve greater cost reduction as the system becomes bigger. As the economy recovers, increased number of newly constructed buildings and factories will enhance the installation of network camera systems.
- 5) Vitalization of sales as the work of installation works shifts from construction companies to system integrators
Conventionally, the installation of analog surveillance cameras has been carried out by construction companies, but the installation of network camera is taken over by system integrators. As there is a big potential for system integrator business in the future, the sales of network camera systems may be enhanced.
- 6) Providers' live video distribution will enhance the demand
If providers start live video distribution service, the popularization of network camera will be enhanced.

2. Key technological issues

For the further popularization of network camera systems, 3 key technological issues can be noted as listed below.

- 1) Improvement of camera resolution to mega-pixel level
- 2) Addition of IVS (Intelligent Video System)
By adding intelligent video functions on the network camera, new applications such as collecting

marketing information as mentioned above become possible, instead of simple surveillance application.

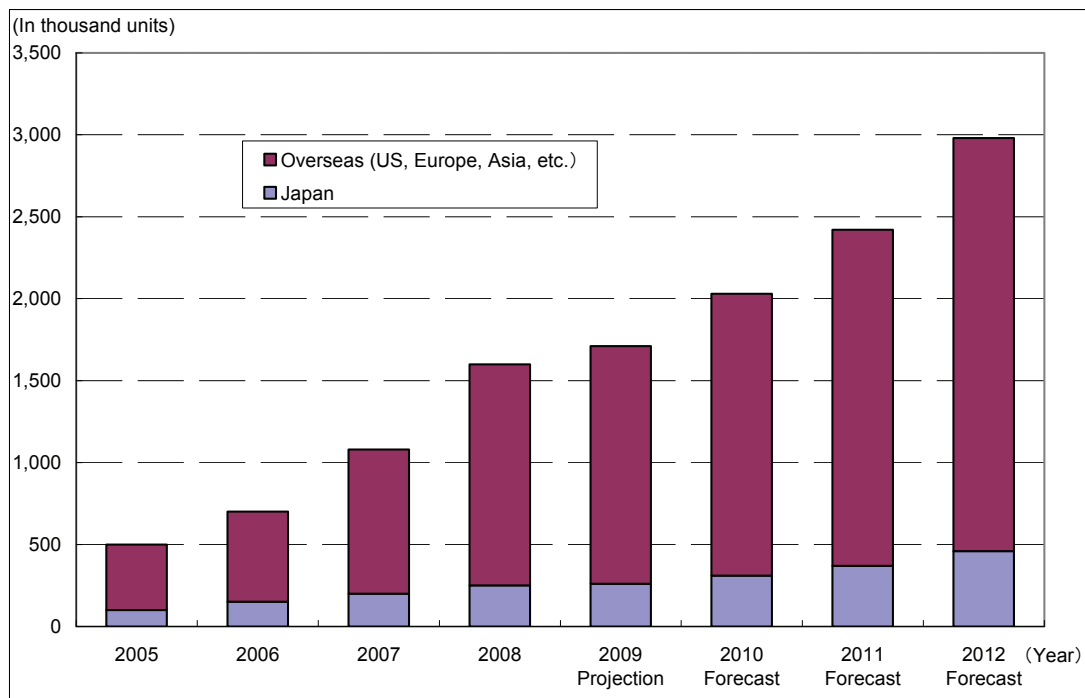
- 3) Introduction of ECO (power saving, CO2 emission reduction) cameras
 Monitoring of existence and density of employees in a room for optimizing air conditioner operation and turning off the lighting if there is nobody. Thus, CO2 emission can be reduced for environmental contribution.

Table/Graph 1. World Network Camera Market Size Transition

Unit: Thousand units

	2005	2006	2007	2008	2009 Projection	2010 Forecast	2011 Forecast	2012 Forecast
World shipment volume	500	700	1,080	1,600	1,710	2,030	2,420	2,980
Japan	100	150	200	250	260	310	370	460
Overseas (US, Europe, Asia, etc.)	400	550	880	1,350	1,450	1,720	2,050	2,520
World (Year/year)	—	140.0%	154.3%	148.1%	106.9%	118.7%	119.2%	123.1%
Japan (Year/year)	—	150.0%	133.3%	125.0%	104.0%	119.2%	119.4%	124.3%
Overseas (Year/year)	—	137.5%	160.0%	153.4%	107.4%	118.6%	119.2%	122.9%

(Estimated by Yano Research Institute)



(Estimated by Yano Research Institute)

Note 1: Total shipment volume of 37 network camera manufacturers in Japan, Europe, US, China, Korea and Taiwan (Japan: 19 firms, Europe: 7 firms, US: 4 firms, Korea: 3 firms, Taiwan: 4 firms)

Note 2: Projection for 2009, and forecast for 2010 to 2012