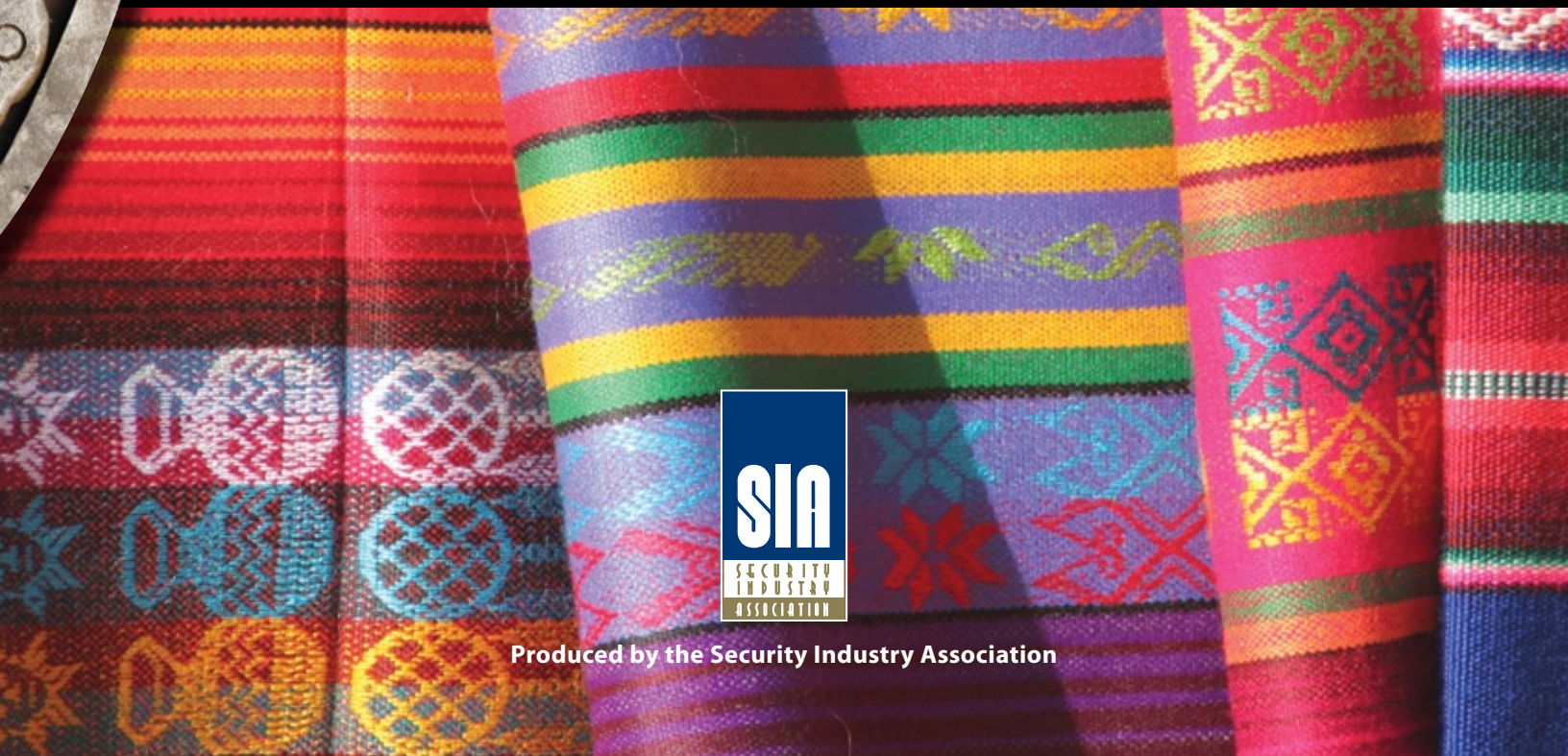
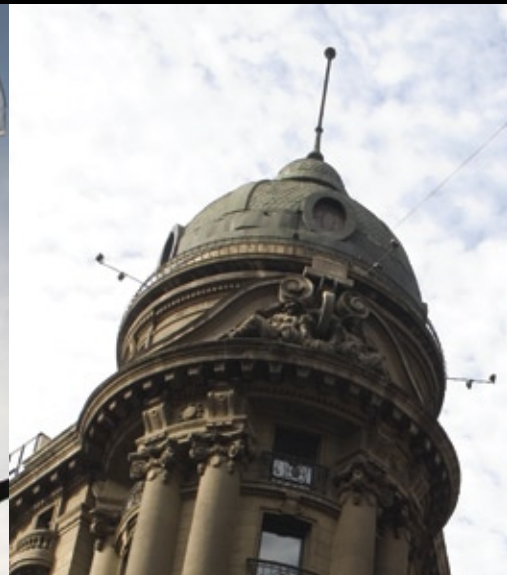
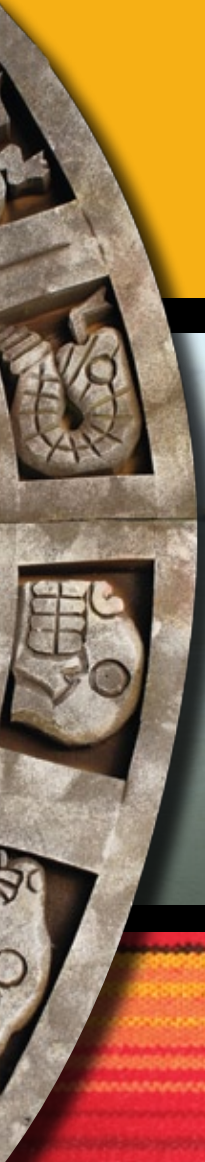


# LATIN AMERICA SECURITY MARKET REPORT

SECURITY INDUSTRY ASSOCIATION



Produced by the Security Industry Association

## Executive Summary

### Introduction

This study examines the Electronic Physical Security (EPS) market in the countries of Argentina, Chile, Colombia, Mexico, Panama and Venezuela. The EPS market is comprised of the following segments: Intrusion Alarm systems, Fire Detection and Alarm systems, Video systems, Access Control systems and Electronic Article Surveillance (EAS) systems.

The entire Latin American region had a positive economic growth rate in the years prior to the global downturn in the latter part of 2008. By 2007, the entire Latin American region had completed five years of continuous economic growth at a rate higher than 4 percent. This growth can be attributed in part to factors such as improved economic policies and increased trade within Latin America as a result of various trade agreements.

The EPS industry also benefited from the economic performance of the region. This market has been rapidly expanding within the Latin American countries to meet the growing security needs of their societies.

### Key Findings

**The total market size of the Latin American EPS market is estimated to be worth USD 704 million for 2008 (considering only the countries under study).** Among these countries, Mexico and Argentina are the largest markets. They account for USD 430 million and USD 84 million respectively, and together represent approximately 73 percent share of the total EPS market. Colombia (USD 70 million), Venezuela (USD 57 million) and Chile (USD 45 million) together account for approximately 24.4 percent share of the market. At 2.6 percent, Panama (USD 18 million) has the smallest share of the Latin American EPS market.

**The main driver for the Latin American EPS market has been an increase in crime against property (burglaries and thefts), which has generated a general feeling of insecurity in the population.** Governmental regulations and public investment are also relevant drivers of this market.

**Video systems are by far the largest segment in the EPS market in Latin America with an estimated market size of USD 263.2 million, representing approximately 37.4 percent share of the EPS market.** This segment has shown the highest growth in recent years and has the maximum growth potential. One of the main drivers for the demand of video systems has been the migration from analog to digital technology in Latin America. This trend has led to significant growth rates in the demand of Internet Protocol (IP) cameras in the market. The main consumers of these devices are the financial and retail sectors. The most common requirements from these industries for the usage of surveillance systems include, control of internal processes (such in the case of banks and casinos), prevention of thefts (mostly retail) and public monitoring.

**Intrusion alarm systems account for the second largest market share in Latin America. This segment has a market size of approximately USD 124 million, representing 17.6 percent share of the total EPS market.** Panama and Chile, with 26 and 23 percent respectively, have the highest market share of intrusion alarm systems. Coincidentally, these two countries have the smallest EPS markets in Latin America. Intrusion alarm systems are the main devices consumed by the residential sector, averaging half of its demand. The demand for these products has started to decrease in the non-residential segment because they are being replaced by integrated video systems and access control systems.

**The EAS segment is the third largest in the EPS market, with an estimated market size of USD 122.91 million and a 17.4 percent market share; this market is largely driven by demand in Mexico and Argentina.** The demand for EAS systems in Latin America is highly related to the retail industry growth. These devices have less demand in other industries. There are two major brands supplying the demand for EAS systems in Latin America.

**Fire detection and alarm systems have an estimated market size of USD 111 million, equivalent to a 15.8 percent share of the total EPS market in Latin America.** Chile and Venezuela are the countries where these systems have the highest market share (20 and 18 percent respectively). This market is driven by local

regulations and requirements from insurance companies. Governments approve regulations leading to increased safety measures in buildings, especially when it comes to workplaces. Insurance companies also require their clients to implement this kind of risk prevention measure as a requirement to insure their facilities.

**The access control system segment has the lowest market share (11.8 percent), with an estimated market size of USD 82.9 million.** In the past few years, these systems have seen great receptivity by customers. Additionally, the trend toward the integration of security systems has benefited this market since it is the first security barrier. It is expected that these systems, along with video systems, will experience the highest growth rates in the coming years. The main consumers of access control systems are the industrial sector as well as the public sector. These systems are mainly used for security purposes as well as for employees' control.

**In Latin America, approximately 80 percent of the EPS revenues are from the non-residential segment,** which includes the public sector (governments and its institutions) and the private sector (industries such as retail, tourism, financial services and others). Generally, the public sector requires video systems for public monitoring. It also generates a demand for access control systems and fire detection and alarm systems for the security of public facilities. The private sector, on the other hand, uses products from all the EPS categories under study. The residential sector, which represents the remaining 20 percent, generates demand of mostly intrusion alarm systems as well as access control systems and video systems in some particular situations. The products used in this segment generally fall under the low-cost category.

**The local production of EPS devices in Latin America is low and is limited to country-specific situations and focus of manufacturers is on the production of simple and low-cost products.** The most relevant case is Argentina, where the local production of intrusion alarm systems and access control systems represent approximately 19 percent of the local consumption of EPS products. Venezuela is another example of local production of fire detection and alarm systems, which represents less than 10 percent of the local consumption for that country.

**Generic Asian products have gained an interesting market share in the Latin American EPS market, especially in video systems, targeting price-sensitive customers.** The lower cost of these devices combined with the lack of legal quality standards have driven the entrance of these products in the studied market. Residential and small- and mid-sized enterprises (SMEs) are generally price-sensitive and, therefore are the main consumers of these products.

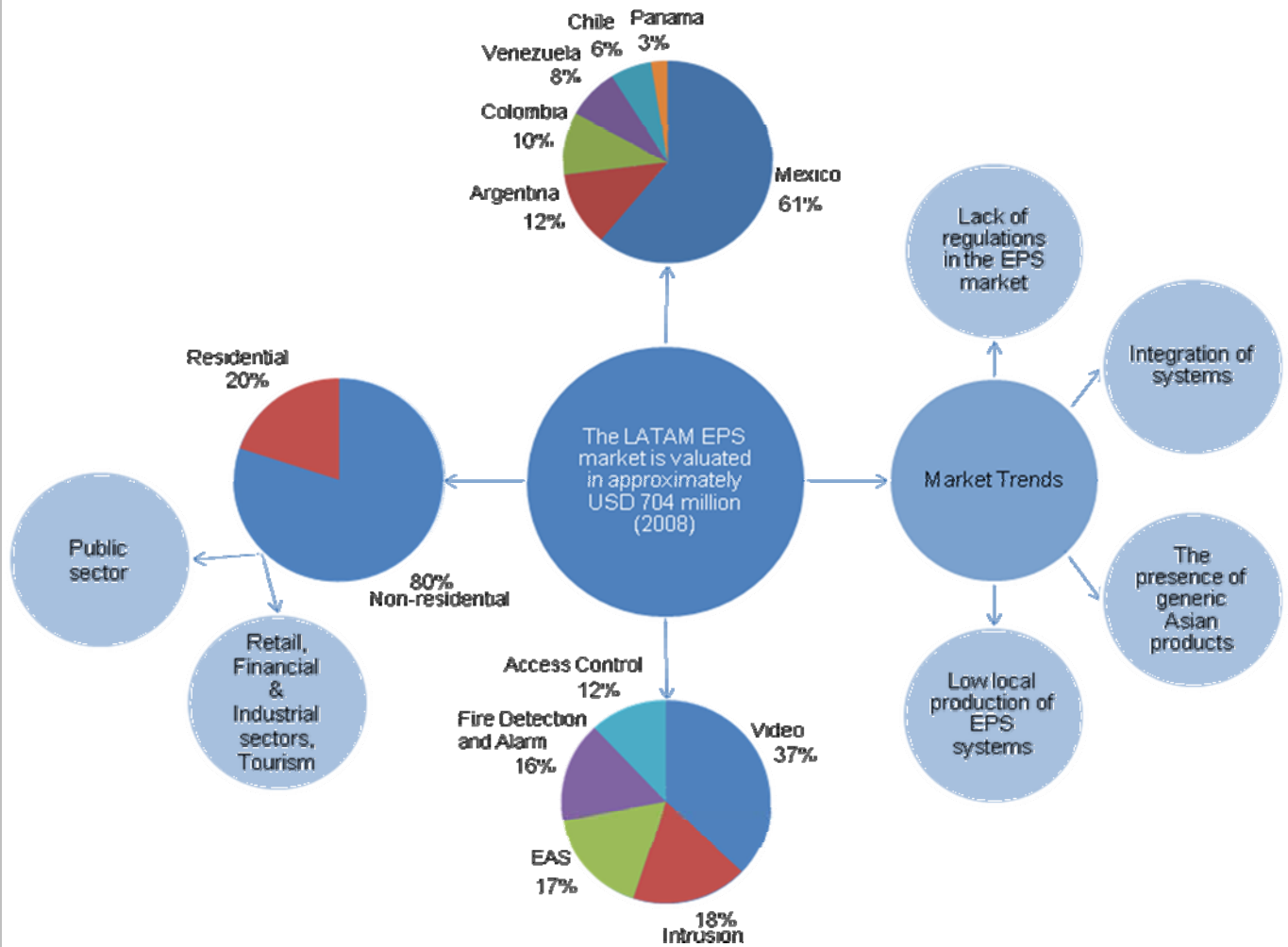
**Although multi-brand integration is still under-developed, the demand for integrated EPS systems has gradually increased over the last few years in Latin America.** Current integration of EPS products is generally done with products manufactured by the same company. Integration of multi-brand systems is currently considered a challenge for the EPS industry in Latin America.

**At present, Latin American EPS markets lack regulations related to quality standards and also in terms of minimum requirement of installed devices.** The financial sector is regulated widely in Latin America and there are some regulations for some of the product categories, for e.g., fire detection and alarm systems in Venezuela and Chile and video systems for casinos in Chile. However, regulations for these categories are generally not controlled or enforced effectively.

With respect to the global downturn, economies in Latin America are seeing an impact. The international financial crisis is cooling down the growth engines in this region, and several parties are expecting growth rates of 2.0–3.8 percent for 2009. The EPS market is also expected to suffer as a result of this crisis but not as much as other sectors. The industry could have a promising outlook thanks to various government policies and plans to invest in public security infrastructure.

## Key Highlights

Figure 1: Key Highlights



Source: Evalueserve Analysis