

## A BLUERIVERSTONE REPORT Hi-Tech Security Research Series Market Poll 2008

This report deals with the results of the first phase of the research that BlueRiverStone is conducting in conjunction with Technews for the South African Hi-Tech security Industry. The poll was intended as a dipstick survey to determine the sense that the industry had of its size and growth as setting the parameters for the more detailed research to follow. A second purpose was to determine if we had structured our surveys in a way that would help us deal with the double accounting issue adequately.

We are most grateful to those companies that participated in the poll, this has helped us hone the research process and given some early insights.



# Hi-Tech Security Research Series Market Poll 2008

## Introduction

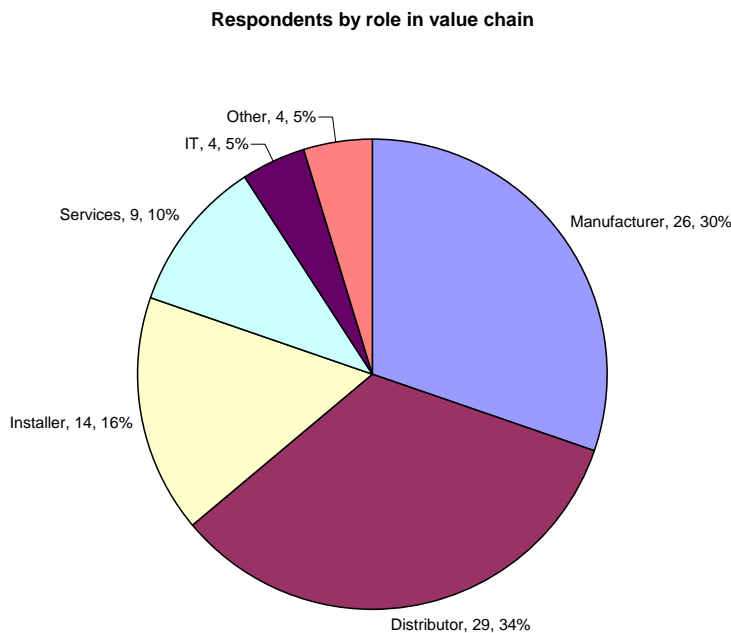
In March 2008 we ran a simple poll principally to determine what players in the security market thought the market was and what its growth potential will be. The results of this poll made it clear that estimates on the size of market by suppliers vary wildly, indicating a total lack of reliable 3<sup>rd</sup> party independent data on the industry - nobody really knows how big the industry is and they are limited to their own frame of reference from which to make estimated guesses. Further there seems to be many players playing multiple roles in the security industry value chain. This complicates dealing with the problem of double accounting (counting a single product several times and inflating the size of the industry) and contributes to the lack of accurate data.

However the poll was very useful in making a clear case for the research and for the method that we are using. Anything less will deliver fuzzy results at best. We were able to reconfigure the supplier and the end-user survey to address the problem of double accounting (where a single product is

## Poll Results in Detail

### 1. Number of Respondents

In the end we had just under 60 respondents, more responses were received after the close of the poll but they do not change significantly the trends found here.

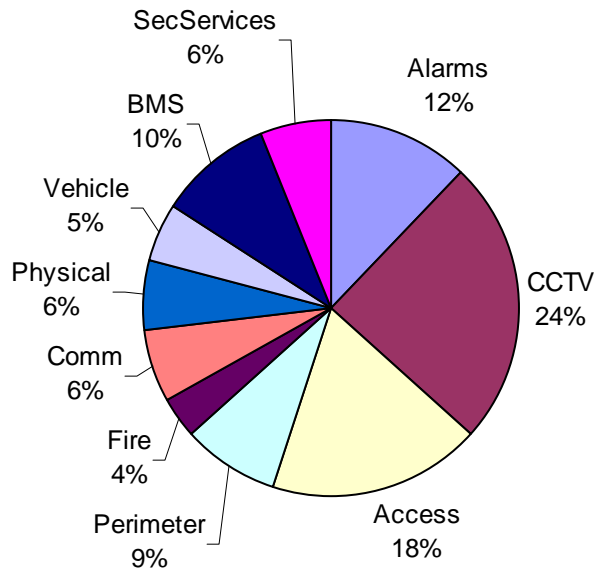


But Respondents had multiple roles in value chain

- Only 7 are manufacturers only
- Only 9 are distributors only
- Only 4 are Installers only
- Only 2 are Service Providers only



### Respondents' Core Offerings



In 2004 Technews did an analysis of macro-economic figures of the industry to produce estimates of the industry's size. Assuming a compound annual across-the-board growth rate of 20% for the industry as a whole which was estimated to be the stable growth rate (pre the anticipated investment from government in infrastructure development), we have projected a base line estimate:

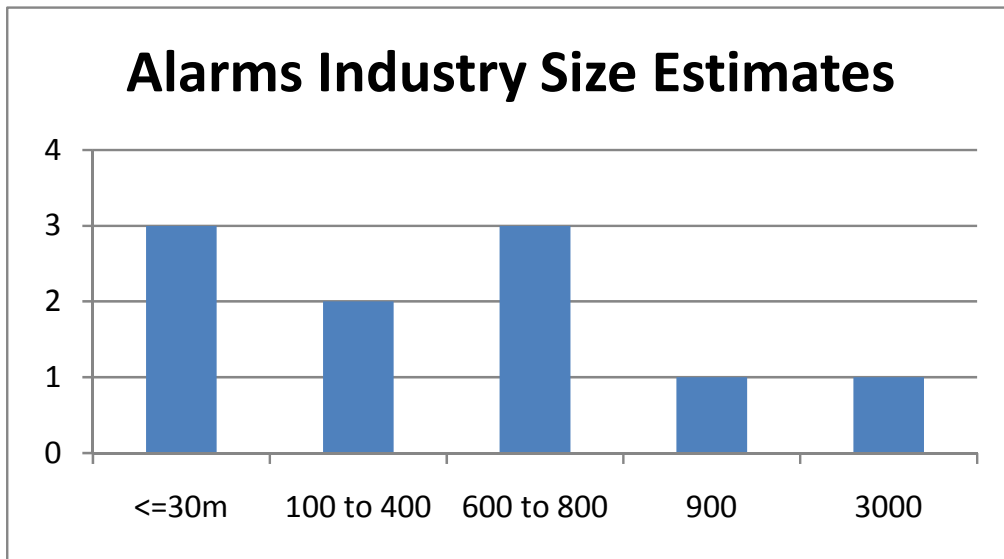
Security Solutions Sub-Sectors	% of R4bn (Security Solutions)	2004	2005	2006	2007
		In ZAR millions			
Alarms, Intrusion Detection	13.75%	550	660	792	950.4
CCTV, Surveillance	16.25%	650	780	936	1123.2
Access Control, ID Solutions, Biometrics	12.50%	500	600	720	864
Perimeter & Physical Security	8.75%	350	420	504	604.8
Fire Detection, Protection	8.75%	350	420	504	604.8
Communications	6.25%	250	300	360	432
Vehicle Security & Tracking	10.00%	400	480	576	691.2
Other smaller sectors including IT, RFID, etc	23.75%	950	1140	1368	1641.6
Security Services		4500	5400	6480	7776

This should give some "ballpark" indicators of the size of the industry but as to their accuracy only the research we are conducting now will be able to determine. If the industry had some consensus on the size of the industry it would be around these numbers though.

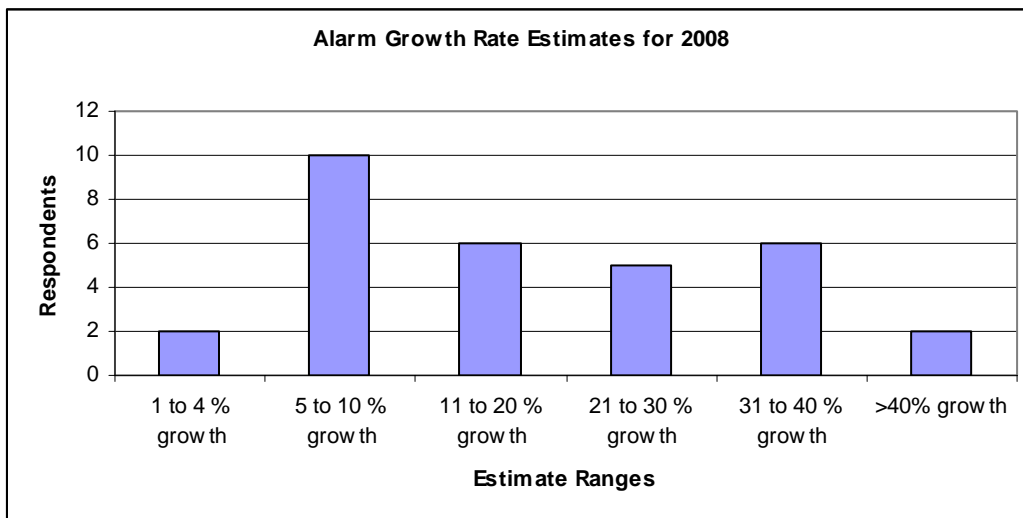
## 2. Alarms

2.1. Respondents indicating this as a core product 10

2.2. Size of market estimates in Rand millions



2.3. Growth of Market



Manufacturers tend to expect a 21 to 30 % growth

Distributors tend to expect 31 to 40% growth

A >40% growth is most likely to be found amongst Installers

But Service providers expect the lowest at 11 to 20 % growth

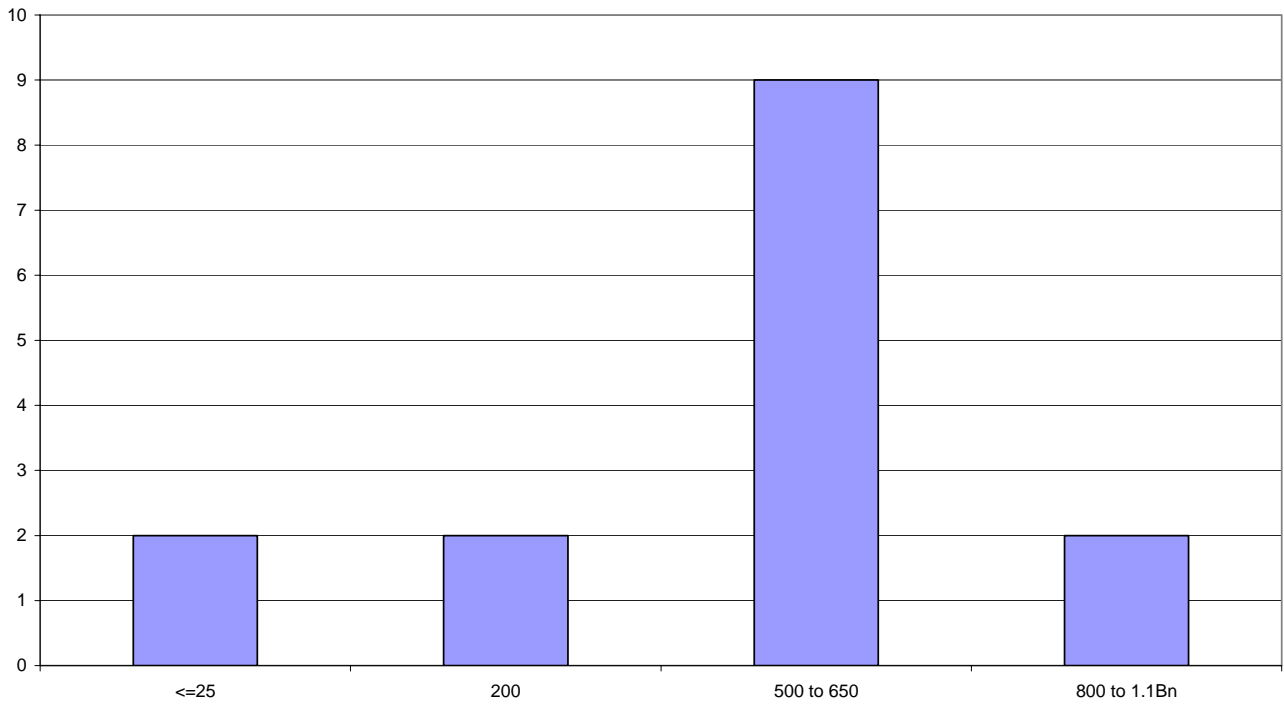
## 3. CCTV Systems & Surveillance

3.1. Number of respondents indicating this as their core product 20

3.2. Size of market

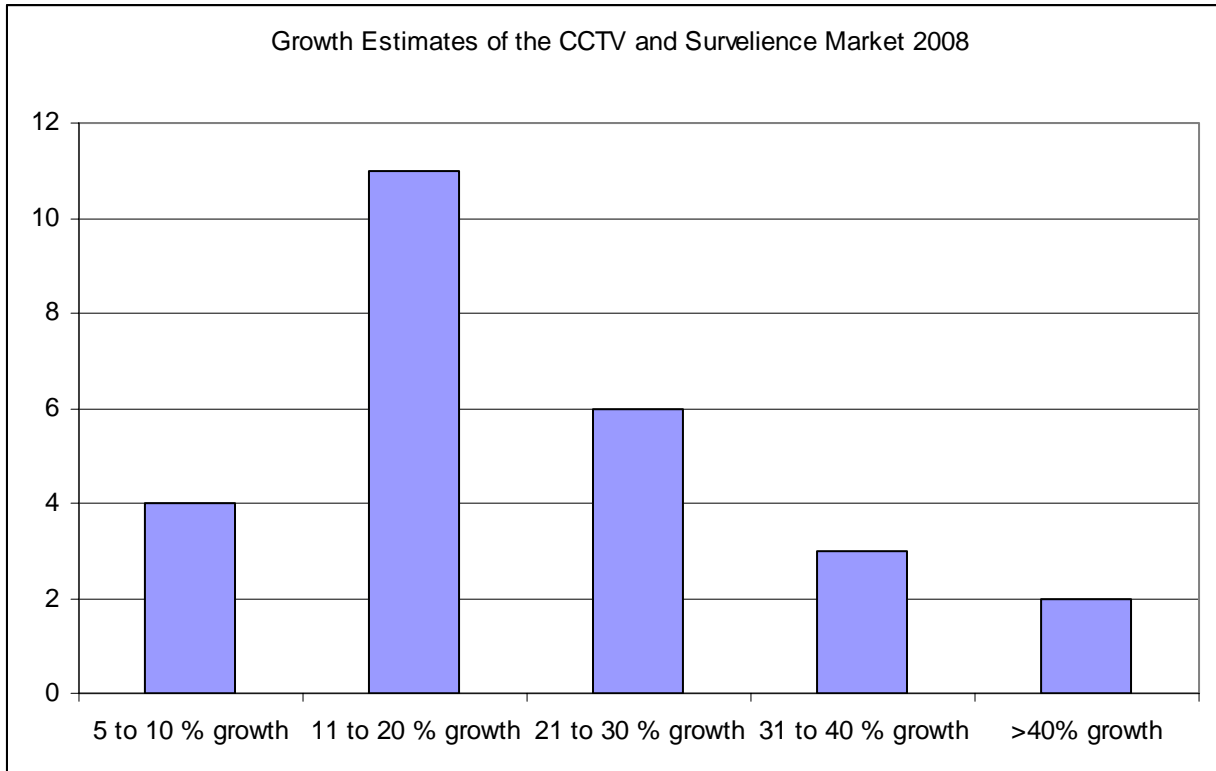


CCTV Systems & Surveillance Estimated Market Size 2007



The consensus of the size of this market is around the ZAR 500 to 650 million mark. Smaller numbers come from subsets of products. The larger number comes from Manufacturers of the widest possible range of products that could be regarded as falling in this section

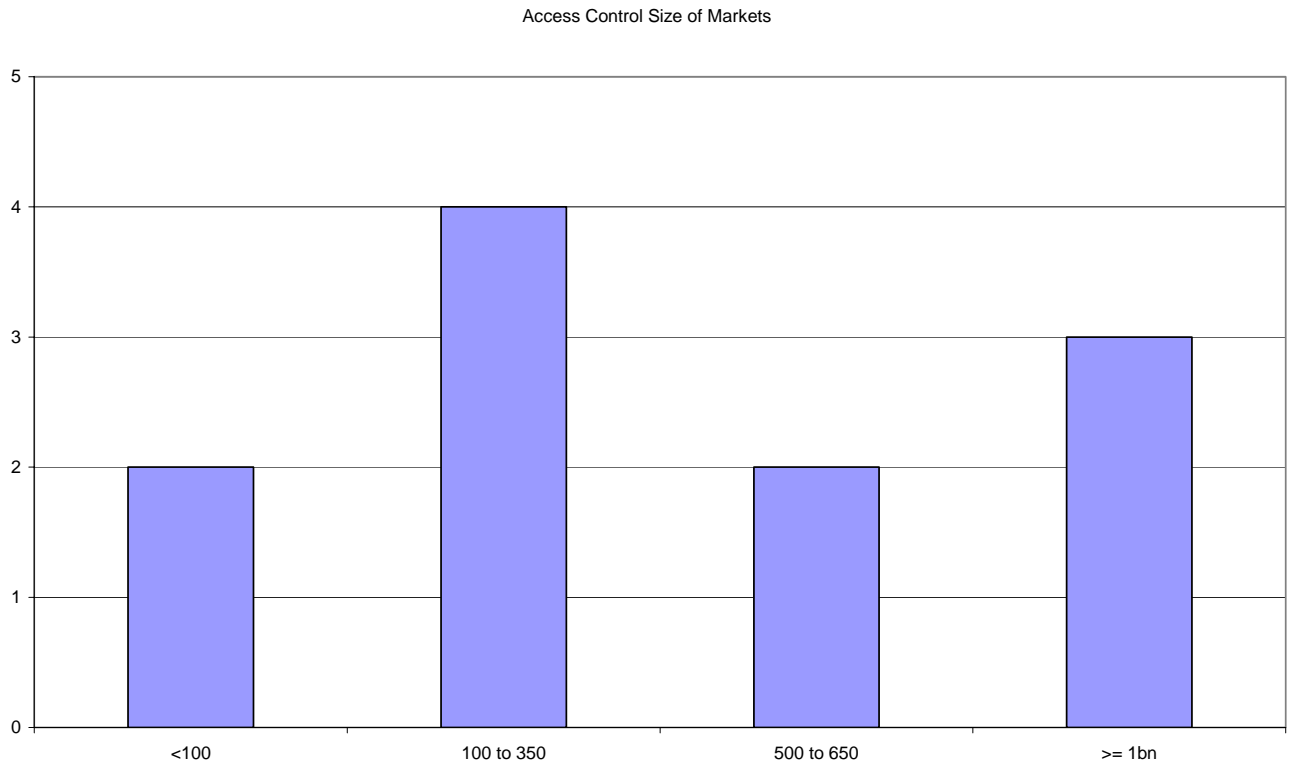
### 3.3. Growth of market



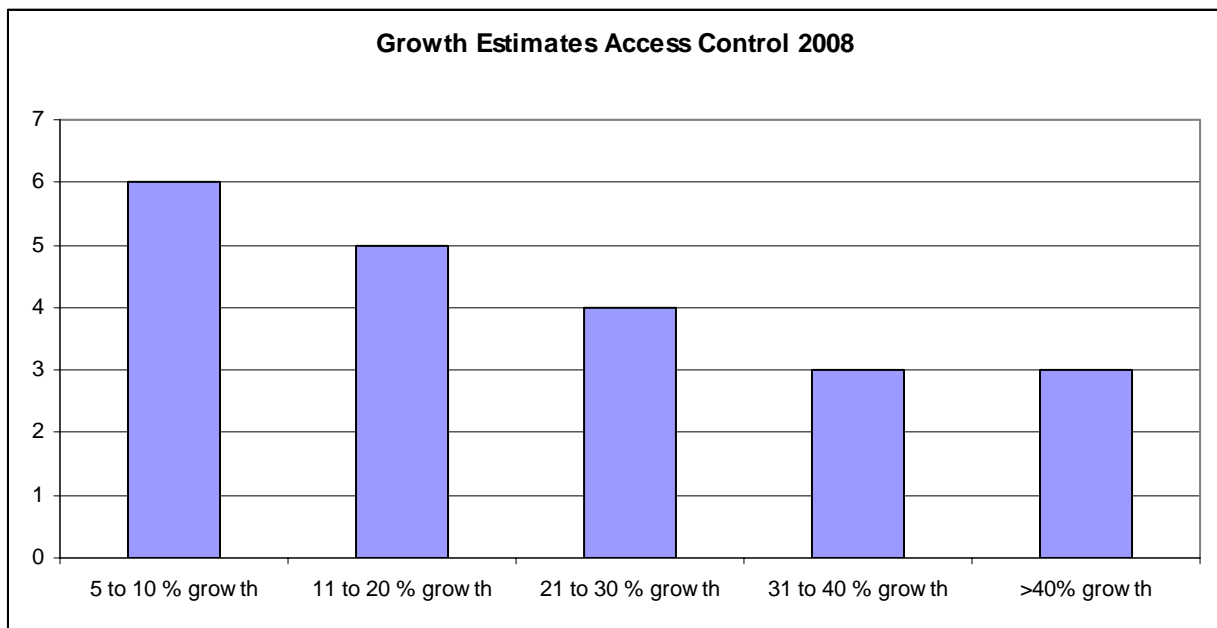
## 4. Access Control

### 4.1. Number of respondents indicating this as their core product 15

#### 4.2. Size of Market for 2007



#### 4.3. Market Growth



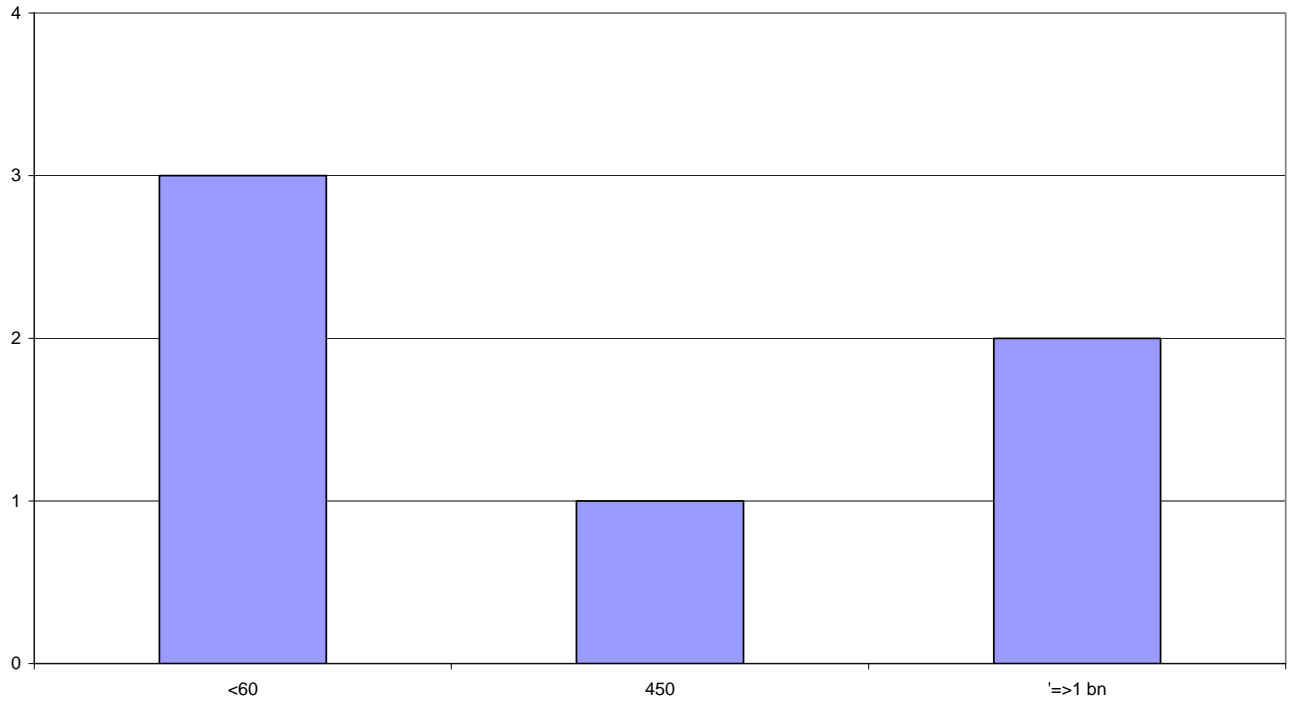
### 5. Perimeter Security

5.1. Number of respondents indicating this as their core product 7

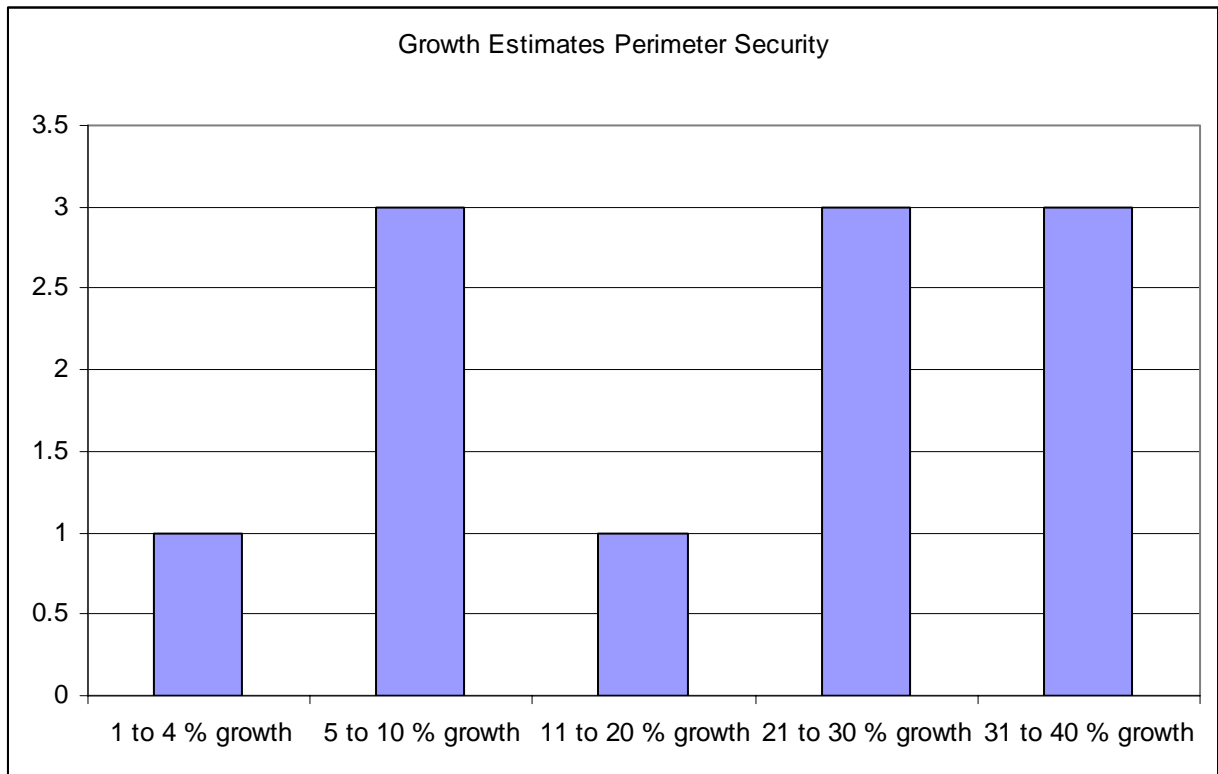
5.2. Size of Market



Perimeter Security Size of Markets



### 5.3. Market Growth Estimates



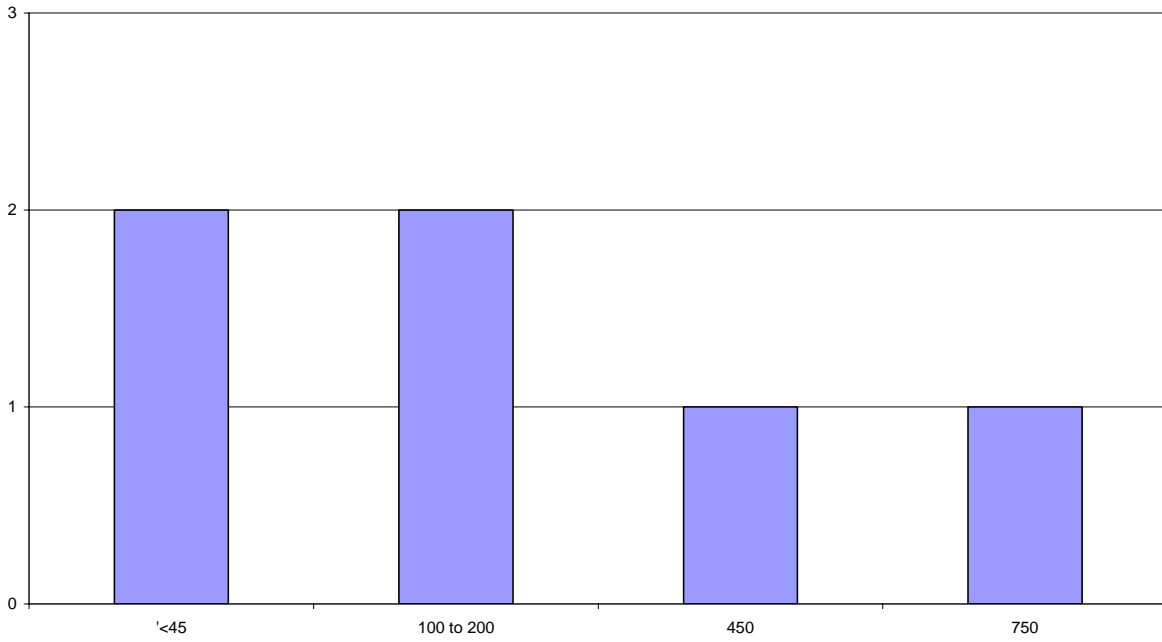
## 6. Fire Protection

6.1. Number of respondents indicating this as their core product: 3

6.2. Size of Market

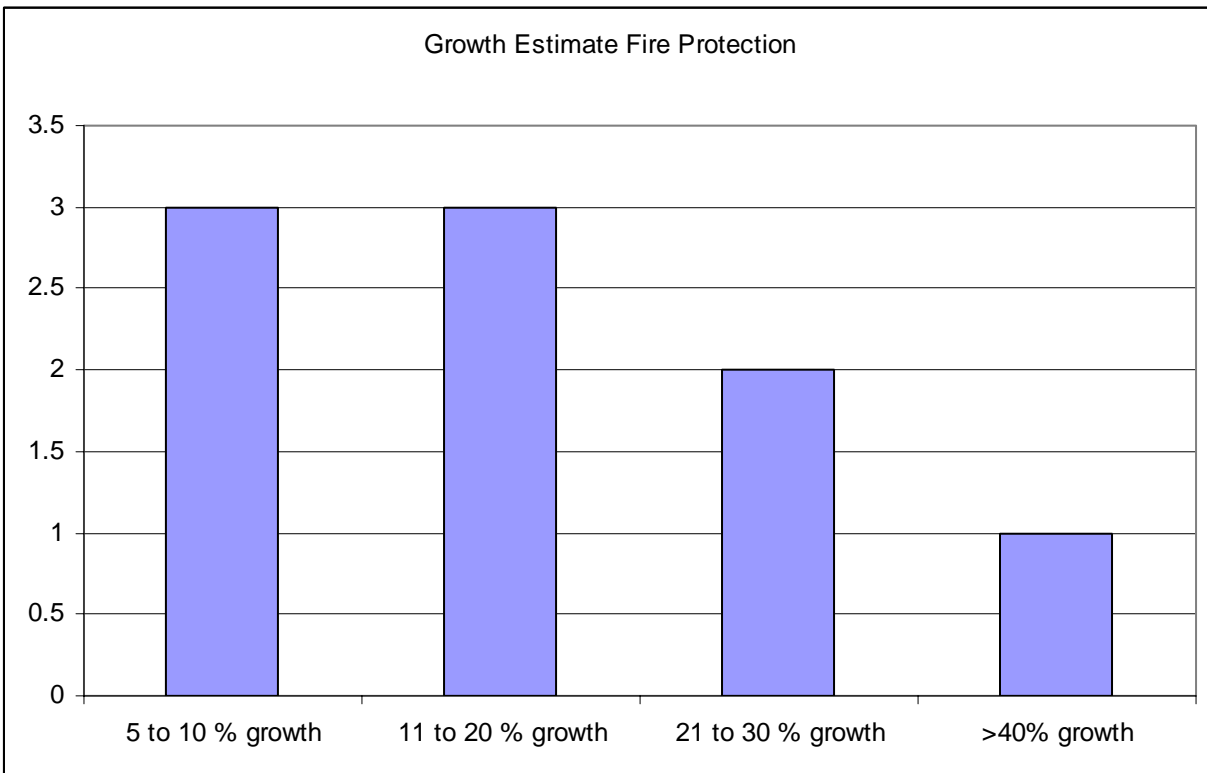


Fire Protection Size of Market



### 6.3. Growth Estimates

Growth Estimate Fire Protection

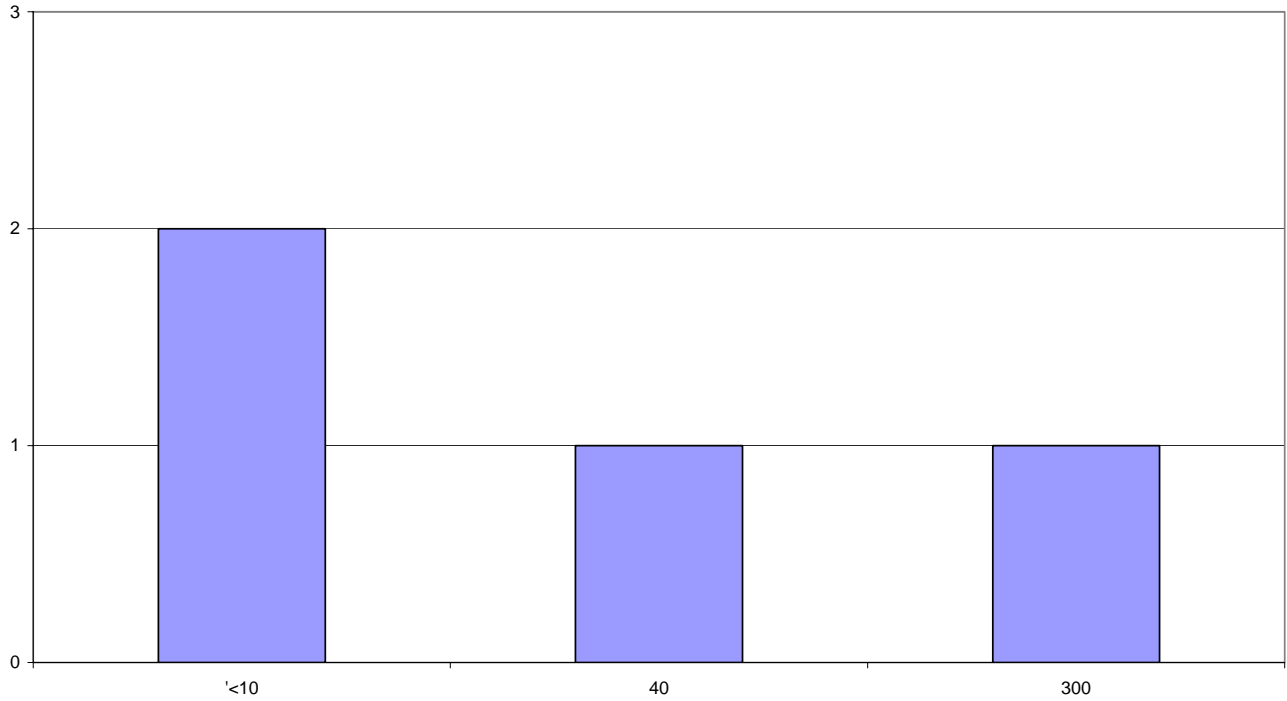


## 7. Communications Equipment

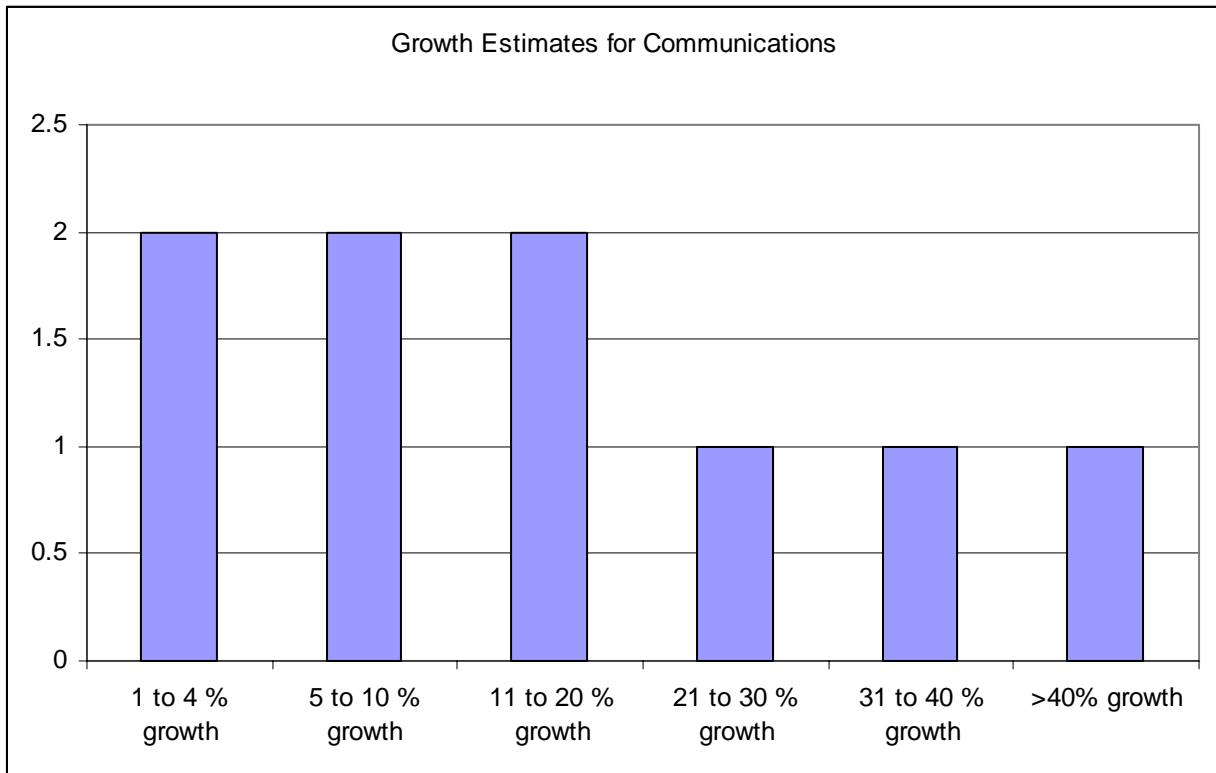
7.1. Number of respondents indicating this as their core product 5

7.2. Size of Market

Communications Size of Market



## 7.3. Estimated Growth for 2008

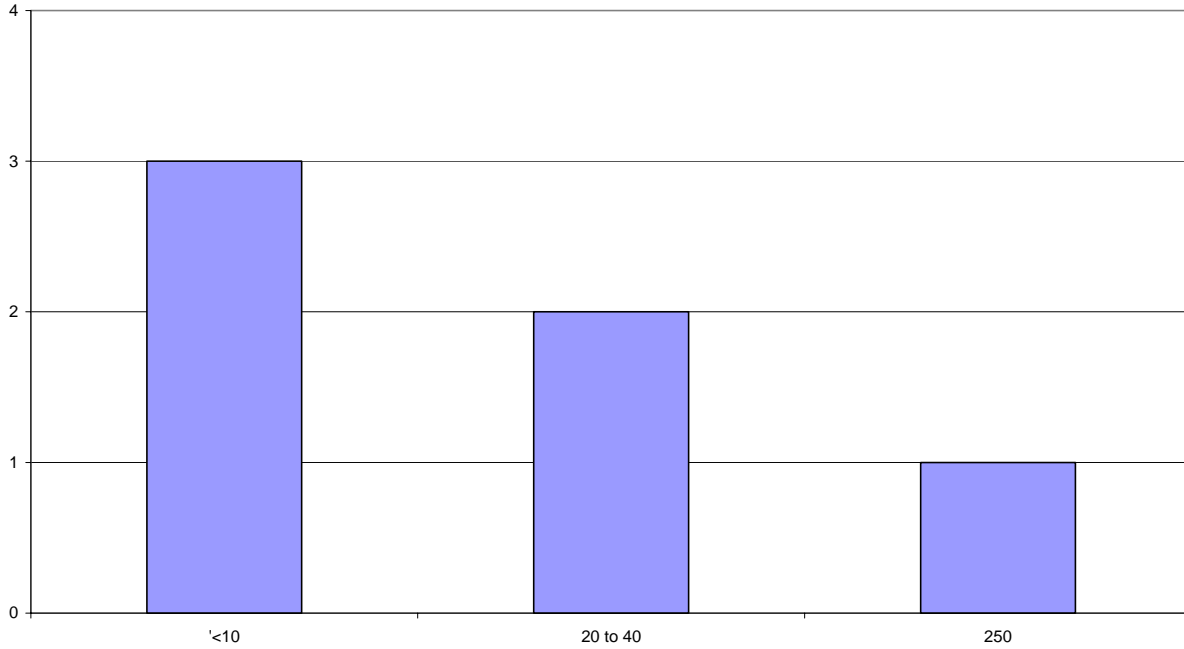


## 8. Physical Security

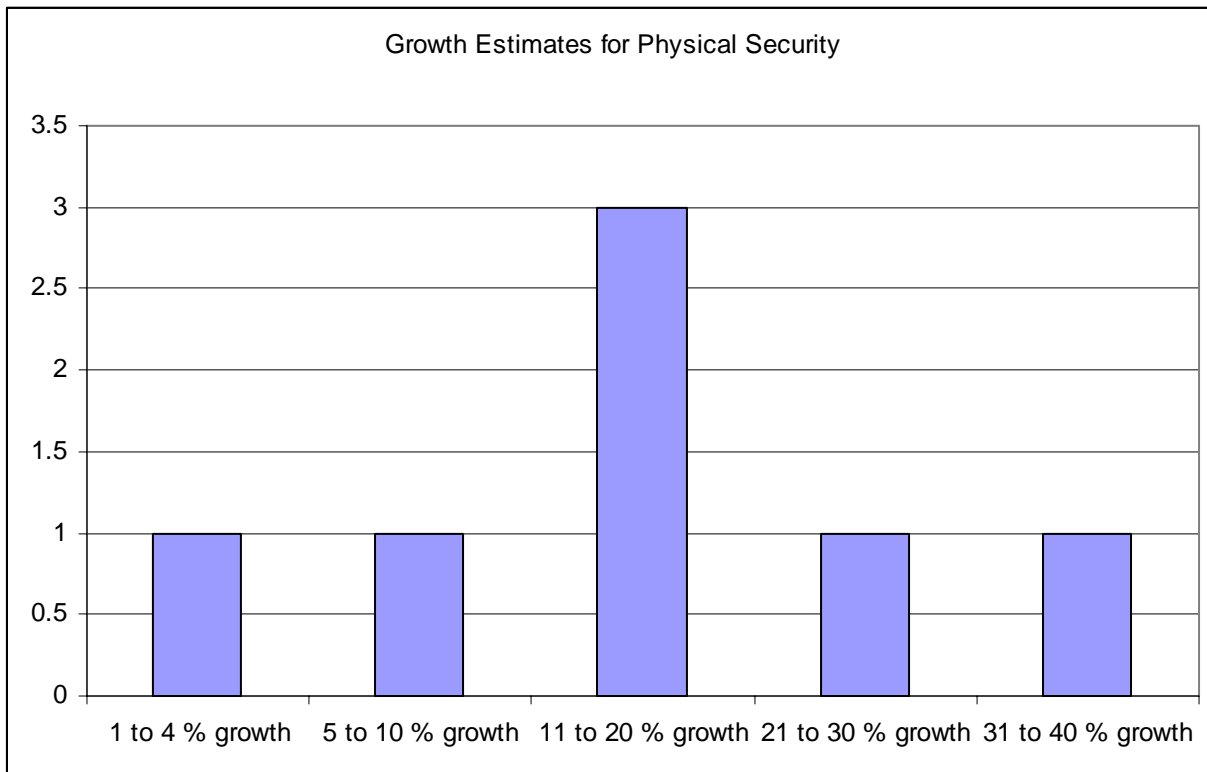
8.1. Number of respondents indicating this as their core product 5

8.2. Market Size

Physical Security Size of Market



### 8.3. Estimated Market Growth

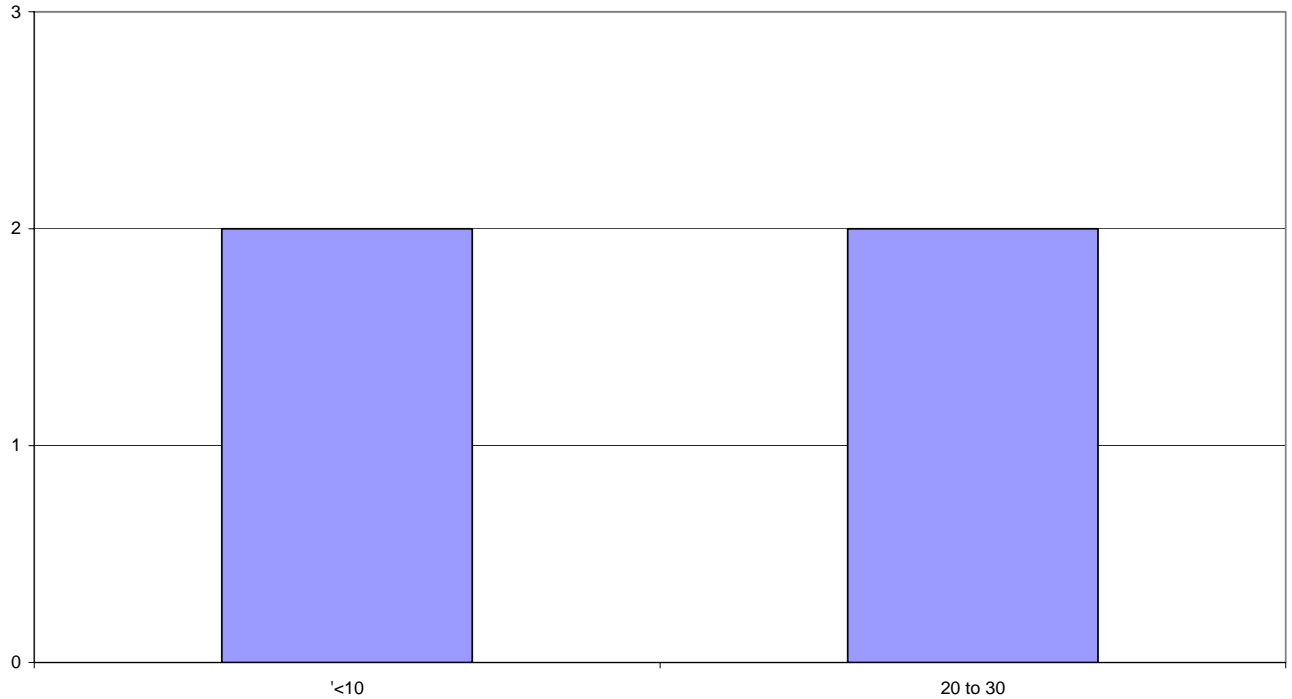


### 9. Vehicle Security. Tracking. Recovery

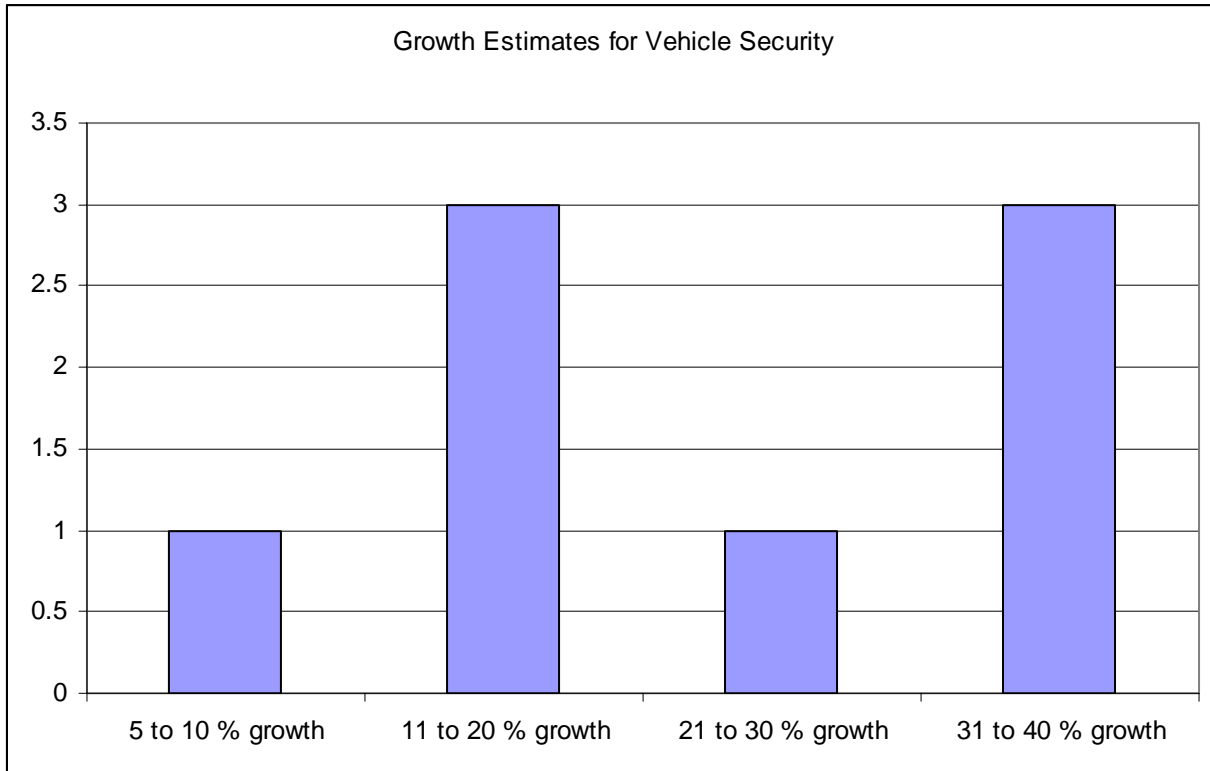
9.1. Number of respondents indicating this as a core offering 4

9.2. Market size

Vehicle Security Size of Market

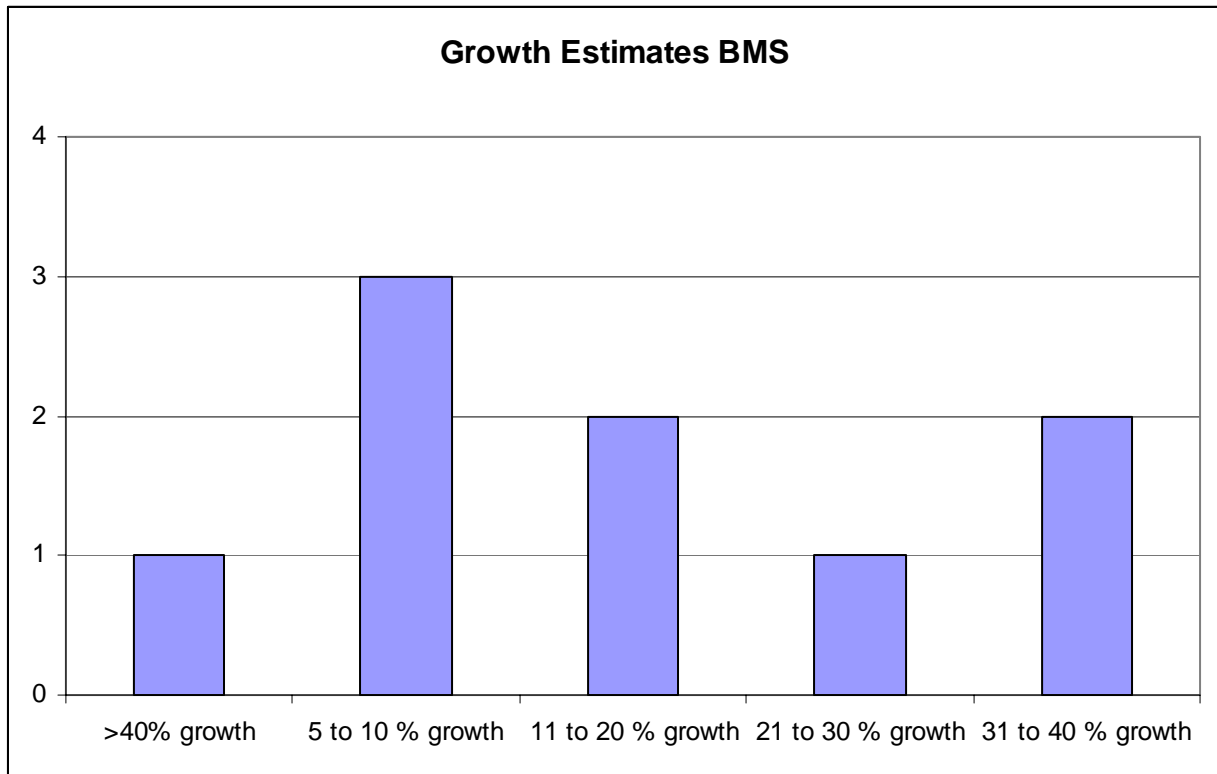


### 9.3. Growth Estimates for 2008



**10. Building Management System Products**

- 10.1. Number of respondents indicating this as a core product 8
- 10.2. Market size: this is completely unknown for most respondents, one installer said 7 million and another Distributor, Installer and Services provider estimated up to 6 billion
- 10.3. Market Growth



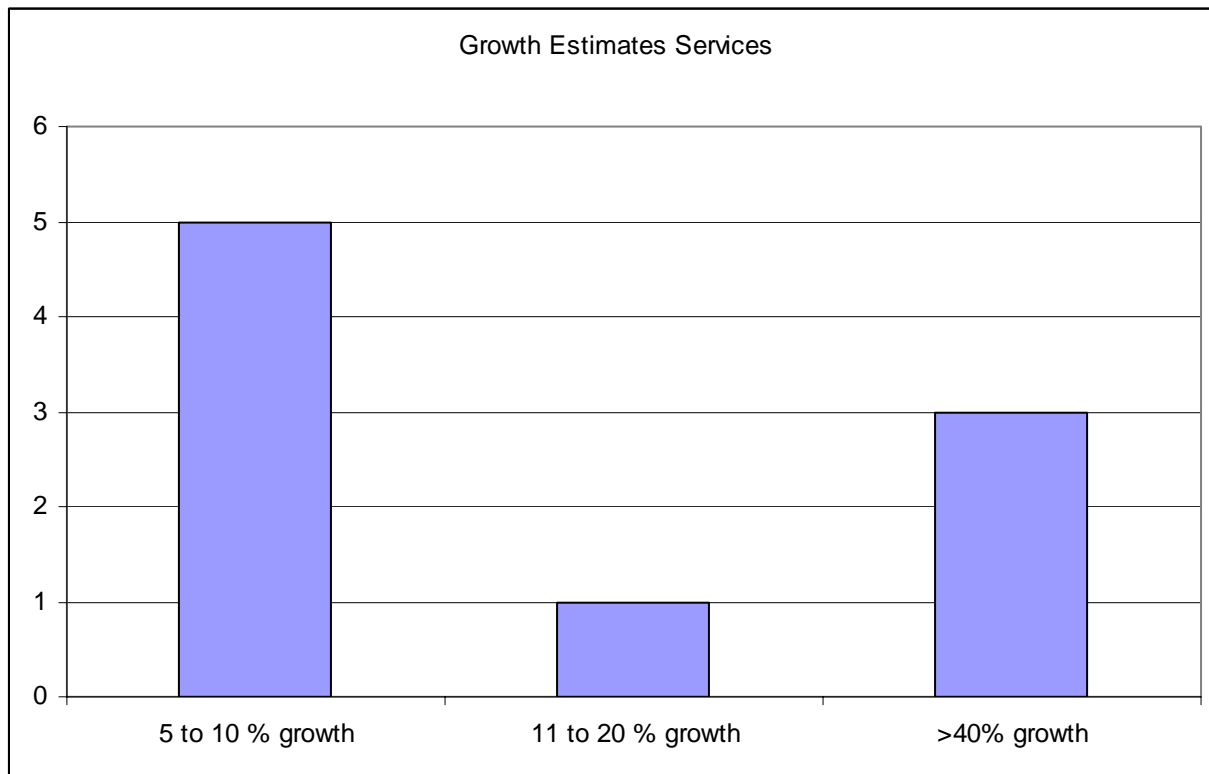
**11. Security Service. Value added Service**

11.1. Number of respondents that indicated this as a core offering 5

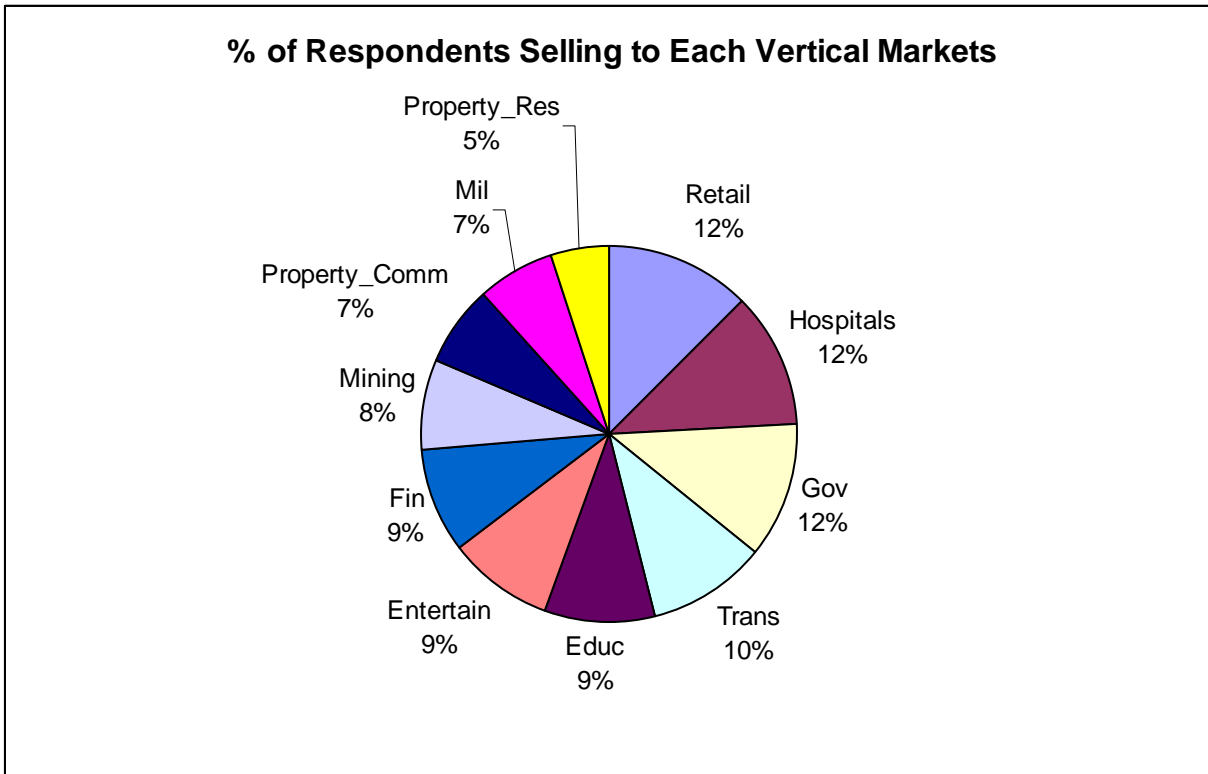
11.2. Market Size

Only 2 responses here one niche amount of 7 million and another estimate of 3 billion

11.3. Estimated Growth of the market 2008



## 12. Vertical Markets Growth Estimates



The poll did not ask for the growth expectations of specific product categories and with such large differences in estimates of the size of the market it is difficult to draw any defensible conclusions from the following results except to get a general impression of whether our predicted annual growth of 20% overall is reflected back by the industry and to raise some further questions that will be answered more comprehensively in the more detailed surveys.

### 12.1. Domestic market

	Total
>40% growth	7
31 to 40 % growth	4
21 to 30 % growth	7
11 to 20 % growth	16
5 to 10 % growth	2
1 to 4 % growth	0

These results are pretty much spread evenly across all product categories (taken

### 12.2. Industrial, Wholesale

Industrial_growth	Total
5 to 10 % growth	6
11 to 20 % growth	14
21 to 30 % growth	5
31 to 40 % growth	1
5 to 10 % decline	1

### 12.3. Mining Sector



Mining_Growth	Total
1 to 4 % growth	3
11 to 20 % growth	5
11 to 20% decline	1
21 to 30 % growth	2
31 to 40 % growth	1
>40% growth	1

#### 12.4. Educational institutes

Edu_Growth	Total
1 to 4 % growth	1
5 to 10 % growth	5
11 to 20 % growth	1
21 to 30 % growth	2
31 to 40 % growth	4
>40% growth	1
Grand Total	14

#### 12.5. Retail, Commercial Sector

Retail_Growth	Total
1 to 4 % growth	2
5 to 10 % growth	4
11 to 20 % growth	9
21 to 30 % growth	3
31 to 40 % growth	2
>40% growth	1
Grand Total	21

#### 12.6. Hospitals, Healthcare Sector

Hospital_Growth	Total
no growth	1
1 to 4 % growth	4
5 to 10 % growth	4
11 to 20 % growth	2
21 to 30 % growth	3
>40% growth	3
Grand Total	17

#### 12.7. Casino, Hotels, Entertainment Resorts

Entertain_Growth	Total
1 to 4 % growth	2
5 to 10 % growth	3
11 to 20 % growth	4
21 to 30 % growth	2
31 to 40 % growth	1
>40% growth	2
Grand Total	14

#### 12.8. National, Regional and Local Government

Gov_Growth	Total
5 to 10 % growth	5
11 to 20 % growth	6
21 to 30 % growth	3
31 to 40 % growth	4



>40% growth	1
Grand Total	19

12.9. Transportation (airports, ports, rail, fleets)

Trans_Growth	Total
5 to 10 % growth	4
11 to 20 % growth	3
21 to 30 % growth	3
31 to 40 % growth	1
>40% growth	4
Grand Total	15

12.10. Banking, Financial Sector

Fin_Growth	Total
1 to 4 % growth	1
5 to 10 % growth	3
11 to 20 % growth	5
21 to 30 % growth	1
31 to 40 % growth	1
>40% growth	1
Grand Total	12

12.11. Military, Correctional Services

Mil_Growth	Total
1 to 4 % growth	1
5 to 10 % growth	2
11 to 20 % growth	4
21 to 30 % growth	2
Grand Total	9

12.12. Property Development Residential

Property_Res_Growth	Total
1 to 4 % growth	1
5 to 10 % growth	1
11 to 20 % growth	2
21 to 30 % growth	1
31 to 40 % growth	3
Grand Total	8

12.13. Property Development Commercial

Property_comm_Growth	Total
1 to 4 % growth	3
5 to 10 % growth	3
11 to 20 % growth	2
31 to 40 % growth	3
Grand Total	11

