The 3 ‘T’s driving the global commercial security market – technology, terrorism and theft
ABSTRACT

Summarising extensive market insights provided by Intersec’s research partner Frost & Sullivan, this report looks into the global Commercial Safety and Security Market. Driven by increased thefts and terrorist activities, as well as the advent of enhanced security technology, the market is in a high growth stage.

While the United States (US) dominates market share, other markets are fast emerging and are likely to be the demand drivers in the coming years. The increased amount of commercial and infrastructural development projects are likely to be the main accelerators of this growth.

Sector trends include the increased use of more sophisticated technology with a shift from analogue to IP-based video surveillance equipment, for example, and an increased demand for video surveillance as a service (VSaaS).

Although the commercial safety and security market is a fragmented one, which makes it highly competitive, the market offers great growth opportunities for participants in both the short and long term.

INTRODUCTION

In an ever-evolving modern world, with increased security threats and growing terrorist activities, the demand for security equipment is on the rise.

Growth in construction, urbanisation, increasing middle and upper class population and an influx of ground-breaking security technologies are some of the key factors which are driving the commercial security sector.

We take a look at these key drivers in the global physical security market, drawing from detailed analysis and market insights provided by Intersec’s research partners Frost & Sullivan (2013 forecasts). After looking at the global market we zone in on how each region is evolving, with an emphasis on industry dynamics in the Middle East.
Frost & Sullivan define the physical security market as all hardware including access control, video surveillance, intrusion detection, perimeter protection, door alarms etc. as well as management software and system integration, including designing and consulting.

According to the research, the USA dominates the security industry with a 35 per cent market share. Asia, Eastern Europe, Africa, and the Middle East, however, despite having been traditionally underdeveloped security markets, are now emerging and are likely to be key demand drivers in the coming years. Although it is China and India that are expected to see the fastest growth in security equipment demand, with India, for example, having witnessed 25 to 30 per cent growth in recent years.

The global surveillance and security market is one of the fastest growing under the global physical security market. Europe, Asia and Africa are the fastest growing regions while the Middle East is also showing signs of steady growth.

**FACTS & FIGURES**

**Global market**

According to the research, the global physical security market was estimated to be worth USD 58.6 bn in 2014 and forecasted to grow to USD 109.3 bn by 2020 at a compound annual growth rate (CAGR) of 10.9 per cent.

The total value of global production of security products at gate prices in 2013 was USD 23.4 bn, with video surveillance products making up USD 23.4 bn of this, access control at USD 5.11 bn, and intruder alarms at USD 6 bn.

China and India are likely to have seen the fastest rise in security equipment demand with more than 10 per cent growth forecast through to 2016. In China, the overall safety and security market was expected to reach USD 8.5 bn in 2015. About 17 per cent of its physical security equipment and services revenue went on video surveillance equipment in 2013, which reflects the tendency for the Asian equipment market to be highly focused on video surveillance equipment.

Forecasts predict that the Video Surveillance as a Service (VaaS) market could reach USD 2,390.9 mn by 2017 at a CAGR of 31.5 per cent globally.

**Middle East market**

During 2013, it was projected that the Middle East spent around USD 2 bn on security systems and equipment. The Frost & Sullivan research predicted that the overall physical security market in the Middle East would have reached USD 3 bn in 2014 and could scale to an impressive USD 10.9 bn by 2020. Its 23.7 per cent CAGR between 2015 and 2020 is more than double the global growth rate, which could mean the Middle East will represent almost 10 per cent of the overall global physical security market by 2020.

In the Middle East as a whole, infrastructure protection is anticipated to reach USD 13.07 bn by 2018. The Middle East transportation safety and security market is likely to grow from USD 3.75 bn in 2014 to USD 6.59 bn in 2019 at a CAGR of 11.9 per cent during the forecast period.

Turkey is the market leader in the video surveillance sector in the Middle East, although in the Kingdom of Saudi Arabia (KSA) video surveillance equipment was to grow by an estimated 25 per cent between 2011 and 2016 and in the UAE, by 15 per cent. Overall, the Middle East’s video surveillance equipment market is likely to grow by 10 per cent in the coming years.
It is interesting to note that no company holds more than five per cent of the global physical security and services market share. Furthermore, the top 15 manufacturers and service providers together only constitute 22 per cent of the global market. This highlights the fragmented nature and high levels of competition prevailing in the industry.

The global surveillance and security market is one of the fastest growing under the global physical security market with Europe, Asia and Africa the fastest growing regions. The Middle East is also exhibiting signs of steady growth. Major upgrades in the industrial and commercial sectors have been driven by the advent of more sophisticated and modern equipment as well as increasing rates of theft and terrorist activities.

On the technology front there is an increased focus on Object Recognition, Video Analytics, Intelligent Video Surveillance, and ISR products and this market is expected to grow at a CAGR of 13.6 per cent between 2015 and 2020. With increased infrastructure development and commercial activities, companies are now focusing on new technology to enhance their security systems.

Other notable trends include the increasing shift from analogue to IP-based video surveillance, with multi-megapixel, low-lux, and intelligent video analytics. The convergence of IT, Telecom and Video technologies will offer systems with smart characteristics and elsewhere, managing video footage captured by surveillance cameras onto the cloud allows for sophisticated video surveillance systems with less storage capacity.

THE TRENDS

During the forecast period, hardware accounted for more than 70 per cent of total global revenues in the physical security market, with the remaining split between software and services. The growing need for intelligent and integrated security systems is expected to drive revenues for software, and security as a service is also gaining popularity, which could further spur revenues.
This has led the commercial safety and security equipment market to a high growth stage. While the US has the dominant market share at 35 per cent, the market is evolving and growth potential has emerged in Asia, Eastern Europe, Africa, and the Middle East.

In the physical security market, surveillance and security is thought to be the fastest growing with an increasing demand for intelligent and integrated solutions. Advanced and smart technology is driving this and there is a noted switch from analogue to IP-based video surveillance equipment and a shift to increased demand for VSaaS, where video footage captured by surveillance cameras can be stored in the cloud.

Overall, the industry offers great opportunity for players in both the short to long term.

Look out for more market insights on the safety, security and fire protection industries. This will be made available in a number of similar exclusive reports built on from market data provided by Intersec research partner, Frost & Sullivan.