Private Security Services

US Industry Study with Forecasts for 2014 & 2019

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US sales to increase 4.9% annually through 2014

Sales of private contractual security services in the US will increase nearly five percent annually to $63 billion in 2014. Growth will be fueled by a cyclical recovery in construction and business expansion from a depressed 2009 base. Technological innovations will also boost spending as improved reliability and user-friendliness encourage investment in alarm services and systems integration. Also, some businesses, institutions and agencies will continue to shift toward outsourcing security services.

Pre-employment screening to be fastest growing type

Guarding is the largest security service segment, accounting for 40 percent of total industry revenue and 67 percent of employment in 2009. Although this segment is relatively mature, demand will be supported by increasing specialization and outsourcing. The second largest service segment is alarm monitoring, which accounted for 30 percent of total industry revenue and ten percent of employment in 2009. Through 2014, above-average demand for alarm monitoring will be fueled by a recovery in residential construction.

The fastest-growing service segment will be pre-employment screening, which will advance nearly ten percent annually from a low 2009 base. Between 2009 and 2014, a net employment gain of 11.2 million is forecast for the US, compared with only 0.5 million between 2004 and 2009. As the economy recovers, there will also be increased job turnover. Employers will turn increasingly to outside screening service providers, because hiring-related liability concerns have increased and the technology and regulations surrounding pre-employment screening have grown more complex.

Other fast-growing service segments include systems integration and security consulting. These services will benefit from rapid advances in electronic technology, which will encourage investment in new security and building technology systems, which will in turn require experienced service providers to maximize benefits and avoid potential security breaches. Revenues in these security segments were especially low in 2009, as businesses deferred non-essential spending.

Mountain states to be fastest growing region

In 2009, the Pacific states represented the largest subregional market for private security services, accounting for 22 percent of US revenues (excluding correctional facilities management). The Mountain states will show the fastest growth through 2014, as this subregion is home to one-third of the fastest growing metropolitan areas in the US.
SECURITY SERVICES

Alarm Monitoring Services

In 2009, central station alarm monitoring services accounted for 30 percent of total US private security service revenues. Alarm monitoring firms provide service to residential and nonresidential customers for burglary and fire protection, and also personal emergency response systems (PERS) to individuals who carry personal alarms for medical or safety reasons.

US alarm monitoring service revenues are projected to increase to $19.6 billion in 2014. Growth will be fueled by a cyclical rebound in residential construction from a low 2009 base and new alarm monitoring contracts are most commonly purchased following new construction or a significant renovation. Advances are also supported by growth factors such as ongoing technological improvements, which make monitored systems more dependable, useful and economical. New technology also enables service providers to enhance revenue by promoting more features such as event-triggered alerts dispatched over the Internet to computers and mobile devices. Additionally, the aging of the American population contributes to demand for PERS and residential monitoring services.

The residential market, which accounts for more than three-fourths of alarm monitoring service revenues, is more price-sensitive than the nonresidential market. For this reason, margins in the residential sector were especially compressed during the recession that began in December 2007, and pricing has more potential to increase as demand rebounds in the future.

Growth is restrained by the maturing of demand for both residential and nonresidential alarm monitoring because there is only a limited portion of the population that considers a monitored alarm worth the monthly cost. Also, many local ordinances have been -- and continue to be -- ineffective in stopping alarm滥滥.
Sample Profile, Table & Forecast

Vector Security Incorporated
3400 McKnight East Drive
Pittsburgh, PA 15237
412-364-2600
http://www.vectorsecurity.com

Annual Sales: $175 million (verified by company, 8/10)
Employment: 930 (verified by company, 8/10)

Key Services: Design, installation, maintenance and monitoring of security systems; and personal emergency response and guard services

Vector Security is a provider of electronic security, emergency response, monitoring and guard services. The Company is privately held. The Company is involved in the US private security services industry through the design, installation, maintenance and monitoring of intrusion, smoke, fire and carbon monoxide; and video surveillance and access control systems for residential and commercial customers. Electronic security systems provided by Vector Security are produced by a range of third party manufacturers, including the NOTIFIER (Northford, Connecticut) and System Sensor (St. Charles, Illinois) subsidiaries of Honeywell International Incorporated (Morristown, New Jersey); the Pelco subsidiary (Clovis, California) of Schneider Electric SA (France); Robert Bosch GmbH (Germany); and Panasonic Corporation (Japan). Vector Security also uses its SECURE TRAC technology, which utilizes a specialized wireless transmitter that is installed in the customer’s location and interfaced to the system’s main control panel in order to maintain the transmission of an alarm signal even if the phone lines are cut. SECURE TRAC monitoring services are designed to provide two independent methods of monitoring customers’ security systems.

### TABLE IV-3

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“Demand for private security services in commercial offices and office buildings is forecast to increase 4.6 percent annually to $9.4 billion in 2014. This rate is an improvement over the gains of the 2004-2009 period since 2009 reflects a low base in light of the recession. Advances will be driven by construction of new office buildings, creation of new businesses and improving cash flow.”

--Section IV, pg. 149

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The Freedonia Group, Inc., is a leading international industry market research company that provides its clients with information and analysis needed to make informed strategic decisions for their businesses. Studies help clients identify business opportunities, develop strategies, make investment decisions and evaluate opportunities and threats. Freedonia research is designed to deliver unbiased views and reliable outlooks to assist clients in making the right decisions. Freedonia capitalizes on the resources of its proprietary in-house research team of experienced economists, professional analysts, industry researchers and editorial groups. Freedonia covers a diverse group of industries throughout the United States, the emerging China market, and other world markets. Industries analyzed by Freedonia include:

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