



Colombia: Safety and Security Industry

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Summary

This report provides an overview of the market potential within the Safety and Security (S & S) industry in Colombia and makes special reference to the following sub sectors: Information Security, Intrusion Alarm Systems, Access Control Systems, CCTV Systems and Fire Detection Systems.

The Safety and Security market in Colombia is a steadily growing industry sector, requiring state of the art technology and specialized consultancy services. This gives great potential for US suppliers. An analysis conducted by the consulting company, InfoAmericas (www.infoamericas.com), reveals that Brazil, Mexico, Colombia and Argentina represent the four largest markets in the region for the products within this industry.

In Colombia, there are two types of security problems. The first relates to the internal conflict (guerrilla and paramilitary threats and attacks) and the second relates to street crime. The government has had success in recent years in combating the first type of security problem, however the sense of insecurity within the population remains high as assaults, home burglaries, and a wide variety of extortion activities, short-term kidnappings, and other assorted petty crimes continue to affect urban communities.

In Colombia, there is little local production within this industry sector. Almost all electronic security equipment used in Colombia is imported, however there are a number of local security industry companies dedicated to the integration and installation of systems, and the provision of related services. U.S. products and related services have enjoyed good market share in the S&S sector, offering quality and competitive prices. The market trend can be summarized as a sustained growth situation, in which most of the key players are focused on importation, distribution, installation and maintenance support of S&S equipment manufactured abroad.

Finally, this report does not cover business opportunities related to armament and associated products and devices destined for military use.

Market Demand

In line with the perception of insecurity, the demand for protective equipment and services has been growing steadily in recent years. Executives and families with middle to high incomes continue to feel threatened by insecurity in many parts of Colombia, despite the Government's recent successes in combating crime and terrorism. Top executives from both multinational and local companies have come to rely more heavily on different types of security equipment to protect their lives, their families, their businesses and property.

In Colombia, local authorized dealers of well-known foreign S&S product brands supply 80-90% of the existing demand. The competitive advantage of local firms is their clear understanding of the security

risks and needs of companies operating in Colombia, and their knowledge of the security needs of high income individuals.

However, many small and medium sized companies do not have the financial resources to make significant investments in electronic S&S equipment to protect their assets, information and personnel, but are nonetheless forced to acquire some form of protection because of unpredictable security threats. U.S. exporters are therefore required to be flexible in prices and in the range of products offered. U.S. companies are advised to present the cost-benefit relationship to customers and make clear to them the possibility of scalability in the solutions over a specific period of time, in line with business projections.

Although the Colombian market offers continual export potential for U.S. electronic security equipment, the major U.S. players within this industry are already well established in Colombia, thus limiting the possibilities of new to market entrants. Also, U.S. companies wanting to position their products in the Colombian electronic security market should take into account the need for training of local personnel for the installation, maintenance and after sales service. Colombian companies that provide this type of support are willing to partner with U.S. companies.

Marketing too may be carried out by local S&S companies, relying primarily on client visits, brochure distribution, the Internet, seminars and trade shows. A common business practice for acquiring a distributor is inviting potential clients to company facilities in the U.S. so that they can evaluate for themselves the technical capabilities and qualifications of S&S firms. S&S companies place heavy emphasis on outlining the risks involved in not implementing S&S solutions.

The inclination of the electronic S&S market is towards providing integrated services and one-stop shopping for customers in order to gain the clients' confidence and to foster long-term business relationships with them. When working on large projects, some companies are even willing to lease equipment so that clients will not have to purchase large quantities all at once. Training and customer care are very important elements that differentiate one electronic security company from another.

Market Data

It is difficult to compile market data for the safety and security industry in Colombia, there are no official statistics on this sector. Not even domestic production of safety and security equipment is represented in government statistics as a specific industrial activity. Part of the local production falls within the manufacturing industries of metallic products and other manufacturing activities.

The safety and security industry is made up of a diverse range of industries covering both manufacturing and services. Sub-sectors include: alarm devices and systems, access control devices and systems, information security systems, automatic vehicle location systems, ionization detection devices, armoring, personal protection garments, surveillance and counter-surveillance equipment, polygraph equipment, industrial safety and security systems, electronic security, home security systems, law enforcement security devices, among others.

From 1994 (year in which the superintendence for the security industry was formed) up till now, growth in this sector (assessed as number of services contracted) has been approximately 360% which represents an average annual growth rate of 15%. Currently there are 395 security guard companies registered with the Superintendent's Office. Between them they employ total personnel of around 180,000 and total revenue is close to US\$1,539,225,422. However, the security guard

companies are basically service providers and do not directly acquire security equipment other than firearms and communication equipment.

It is important to note that during the past ten years, security departments within companies have increased by 39%, vehicle armoring has increased by 446%, with the number of armored vehicles rising from 2,255 in 1997, to 12,321 in 2007. Correspondingly, the number of registrations conducted by the superintendence has seen an increase of 285% growing from 120 companies in 1997 to 462 registered in 2007. However, it should be noted that as easily as companies are set up, so too are they closed, therefore many of the companies registered may have ceased operations, without being taken into account by government statistics.

Demand is particularly strong for electronic S&S equipment for both institutions and individuals. Many companies understand the need to increase their security levels but are often reluctant to make major investments because of the high costs. The final decision to purchase and install electronic S&S systems is often driven by specific unexpected incidents.

In accordance with a survey conducted by the local industrial association ANDI, Colombian business executives invest up to 2.7% of their sales to enhance the security of their facilities. In large companies, investment in security may represent up to 10% of an organization's fixed costs.

And according to the Surveillance and Security Superintendent, the private security business has a promising future due to the fact that sales figures for legally registered companies have increased on average six percent over the past two years. This trend is likely to continue in upcoming years.

Investment in security systems is also now beginning to be considered as a means of controlling productivity and thus of improving manufacturing efficiency. Managers are seeing the benefits of implementing electronic S&S systems to monitor workers, information and inventories, as a means to maintain workforce discipline and to keep track of operations.

Also, concerns for general worker safety, including protection from death and disabling injuries and illnesses, as well as protection from the specific threats of fire, have given rise to an entire industry devoted to fire and gas detection systems. This is an interesting niche for U.S. exporters of fire and gas detection systems, mainly for the industrial sector

Regarding market size, estimates indicate that the total value of the S&S industry in Colombia is between US\$ 80 and US\$ 120 million, but this is a very conservative figure and the true size is probably much higher. Estimates also suggest that this market imports around US\$ 25 million annually with a growth projection rate of around 6%. U.S. share of imports is between 30% and 35%.

Local production may be found in the following products: control panels, security switches, switching and other circuit boards, parts/accessories for telephones and installations, intercoms, electric acoustic signaling devices, electric alarms, perimeter security systems, measuring and control equipment and parts, guard tour control devices, electric clocks, electric regulators and rectifiers, cabinets for electrical installations, and signaling and control apparatus. There is practically no local production in electronic security equipment, due to lack of investment in research and development of new technology. And within the industrial safety sector the only local production is in basic safety equipment, such as shoe ware, apparel and protective gear and apparatus.

Safety and Security Market (in millions of USD)

	2006	2007	2008
Total Market Size	110,000,000	115,000,000	120,000,000
Total Local Production	33,000,000	34,500,000	36,000,000
Total Exports	0	0	0
Total Imports	20,000,000	22,500,000	25,000,000
Imports from the U.S.	6,000,000	6,750,000	7,500,000

Source: Unofficial estimates based on industry information.

Best Prospects

Due to ongoing security problems in the country, Colombian firms continue allocating a significant amount of their budgets to protect their facilities from internal and external threats. The current security situation that Colombia is undergoing has created a remarkable market for U.S. exporters in this sector. Many local companies have expressed their preference for U.S. products over those of other countries due to quality, state of the art technology and after-sales service

U.S. companies interested in pursuing opportunities in the safety and security market must take into consideration that Colombian law indicates that foreign security companies may only participate in government contracts if they possess a registered agent in Colombia, or if they work through local companies under joint-venture agreements.

The Colombian electronic S&S market relies strongly on imported products, as practically no local company has the ability to produce high tech equipment. Colombian know-how, supported by the National Science Institute (COLCIENCIAS), has earned recognition in the case of automatic vehicle location systems, but this consists mostly in the integration of devices. The Colombian transportation sector relies heavily on this technology to monitor vehicles in real time throughout the country's roads.

The highest potential for security equipment and products can be seen within law enforcement agencies and the military, and the corporate and private homes sectors. As in other countries electronic security systems and devices are dominating the market, products include:

INTRUSION ALARM SYSTEMS:

- Control Panels & EAS Antennas
- Analog Connection boxes/terminals
- Magnetic Contacts
- Batteries
- Weatherproof horns
- Weatherproof alarm bells
- Sirens
- Satellite tracking systems in commercial and private vehicles (GPS and RFID technology)

ACCESS CONTROL SYSTEMS:

- Controllers
- Digital Processors (in metal cabinets with memory devices)

- Other "automatic" devices used for data
- Local Area Network (LAN) devices
- Readers
- Smart Cards Electronic perimeter devices, motion detectors, glass break detectors
- ID technologies (biometrics)

CCTV SYSTEMS:

- High tech surveillance cameras
- Domes
- Monitors
- Multiplexers
- Units combining Input/output control
- Video and sound transmission devices
- Devices that reproduce signals other than sound and images
- Transmission devices
- Transformers for sound and video recording & reproduction

FIRE DETECTION SYSTEMS:

- Conventional Control Panels
- Sensors
- Conventional Detectors
- Addressable Control Panels
- Addressable Detectors
- Smoke Detectors
- Electromagnetic (EM) technology systems; digital technology to filter noise and diminish false alarms
- Industrial: Chemical products, such as dry powder and CO₂ (carbon gas) used to combat fire
- Sprinklers and smoke detectors

The Colombian government has been focusing policy and resources on tackling security risks in the country, and providing a safer environment for people and industry. The government has made efforts to strengthen the military, the police force, the DAS (intelligence agency) and also to provide better security within the judicial system and prison service, all of which creates increased demand for security equipment and services. The government clearly recognizes the importance of public security as a driver in attracting foreign investment.

Law enforcement agencies and the military have particular requirements for the following:

- Encryption communication systems
- Portable bomb detectors, armored doors and tracking devices
- Tactical products such as body armor
- Metal and weapon detection systems
- Explosives detection systems
- Night vision devices
- Bullet proof vests
- Armored vehicles

For some of these products, competition is already strong, particularly for bullet proof vests and armored vehicles. Colombia ranks third among the top markets for armored vehicles in Latin America after Brazil and Mexico. InfoAmericas estimates that the Latin American market for armored vehicles amounts to USD 135 million.

Key Suppliers

Some of the best-known security brands and companies that are present in the market include:

- TYCO: Relays, circuit breakers, fiber optic components, and wireless products.
- WACKENHUT: Integrated security systems and related services
- ANIXTER: communication products (voice, video and data) and security systems
- PELCO: DVRs, video surveillance systems
- SONY: Monitoring systems, visual alarms,
- LENEL: access controls, intrusive detection fire alarms
- ADT: commercial and home alarms systems
- GE: explosive and narcotics detection, access controls, fire detection
- SAMSUNG: video cameras, DVRs
- BOSCH: access controls
- HID: access controls, smart cards readers
- SECURITON: video surveillance, alarm systems
- EVAX SYSTEMS: voice evacuation systems for industrial safety
- PANASONIC: CCTV, alarms perimeter surveillance
- VICON: video surveillance systems

American companies are well perceived locally and enjoy a reputation for reliable service and quality.

Consumers have been moving away from purchasing individual products and are now seeking comprehensive security solutions. This has stimulated growth in the number of companies that operate as integrators, i.e. providing complete security solutions incorporating different products.

Prospective Buyers

According to the Superintendent's Office, the market segmentation is as follows:

Residential users:	27%
Commercial and Service Companies:	24%
Industrial Companies:	18%
Financial Companies:	8%
Public Entities:	7%
Energy and Petroleum Companies:	5%
Private Education:	4%
Airports:	4%
Others:	2%
Transport and Communication Companies:	1%

Despite the complexity of government procurement processes, which are much slower than private sector procurement processes, there remains high demand and opportunities to sell law enforcement products and equipment to the Military, Police Force, DAS, as well as other agencies such as airport authorities. Within the private sector, banks, large corporations and builders of “intelligent” buildings require a variety of solutions that are supplied by integrators and distributors. Personal security is also a dynamic market segment, particularly for access controls and CCTV, but predominantly for private security guard services.

Police forces throughout the country have also been involved in municipal and regional government action programs to provide more responsive police services to the community. These programs have also included organizing communities in order to better react to security incidents and to cooperate with the authorities and within neighborhood populations for the protection of lives and property.

Market Entry

The big U.S. companies within the S&S industry are already present in the Colombian market. Their products are available through representatives or distributors. However, Colombian consumers are price-sensitive and generally prefer low-cost equipment and services to a globally recognized brand name. Nonetheless, the Colombian market remains a promising emerging market for American firms. Currently, there is growing demand for imported equipment in the less price-sensitive corporate sector. In addition, there has been a significant increase in government procurement programs directed towards the protection of government facilities.

Some key points to consider in order to be successful in the Colombian market are:

- Secure an agent, representative, or distributor in Colombia, which requires a contract that meets the provisions of the Colombian Commercial Code.
- Conduct due diligence undertaking complete background checks
- Secure the best Colombian partners to grow your sales.
- Keep good after-sales service arrangements; this will help to maintain sales relationships.
- Provide adequate warranty. One-year equipment guarantees are a standard practice, after which an offer is made on a maintenance contract.

The best approach when marketing S&S products in Colombia is for the company to do a comparison between potential losses vs. the costs of acquiring security systems. Showing that S&S solutions can be implemented gradually and not necessarily in an all encompassing manner tends to make the sales effort more successful. Direct marketing and personal visits supported by email communication, printing and distribution of materials to prospective customers are already popular in Colombia.

Market Access: Issues & Obstacles

The Surveillance and Security Superintendent regulates the importation of most S&S items, and local companies have to report certain transactions to that agency. The Superintendence currently requires that security companies wanting to enter the S&S market register with this control agency. This registration assures that only serious firms access the S&S market with enough financial capacity to undertake projects in this area. Another important aspect is that control measures exist for the importation of S&S equipment with the approval of the Superintendent. Decree No. 073 of January 2002 established formal regulation of prices charged by security services companies in Colombia, thus unifying the market. This stimulates competition under standards of quality rather than price.

Import duties are quoted ad valorem on the CIF value of shipments. An import duty between 5 and 10 percent is applicable to S&S products. A 16 percent value-added (VAT) tax is assessed on virtually all imports based on CIF-duty paid value of shipments.

Small U.S. companies wishing to break into the Colombian market too often consider that they can do quick and easy sales. They don't comprehend well enough the need to comply with regulations. In particular US companies require a registered local representative in order to bid for government contracts. But even in selling to the private sector, it is recommendable to work jointly with local companies and to build enduring business relationships. A matchmaking visit, as may be conducted through the Commercial Service is only a first step, it is important for U.S. companies to establish continual contact with potential clients and distributors in order to be successful in the Colombian market.

All individuals and legal entities wishing to enter into contracts with government entities must register with the chamber of commerce, in their jurisdiction foreign bidders and/or suppliers of equipment and services are also required to register with a Colombian Chamber of Commerce under the so-called "Registro Unico de Proponentes/RUE" (Bidders Register). In most instances, they must be pre-classified and pre-qualified by the chamber and, in some cases, by the Colombian government-contracting agency, in accordance with the provisions of Government contracting regulations contained in Law 80 (www.secretariasenado.gov.co/leyes/L0080_93.HTM).

U.S. companies bidding on major government, or even private sector projects/procurement and those entering into joint ventures or other long-term contractual arrangements should seek legal advice.

Finally, the approval of the Trade Promotion Agreement between the US and Colombia will improve market access in this sector, reducing import tariffs on equipment to 0%, thus stimulating US exports to Colombia.

Trade Events

Efficiency and Security Fair
September 29 - October 3, 2008
Bogotá
<http://www.securityfaircolombia.com>

For other trade shows visit: www.corferias.com/

Resources & Contacts

Superintendencia de Vigilancia y Seguridad Privada (Surveillance and Security Superintendent)

Address: Carrera 10 No. 26 – 71 Int 106, Bogotá

Felipe Muñoz Gomez, Superintendent

Phone: (571) 336-2789 / 337-5777 / 606-7777

Email: despacho@supervigilancia.gov.co

Web: <http://www.supervigilanciaprivada.gov.co>

Siemens

Address: Carrera 65 No. 11-83, Bogotá

Pablo Velez – Building Technology

(571) 4253393 Ext. 2300

Email: pablo-e.velez@siemens.com

Omnitempus

Address: Carrera 13 A No. 79-45

Tel. 571-6110529

www.omnitempus.com

Federación Nacional de Comerciantes

Presidente: Guillermo Botero Nieto

Address: Cra 4 No. 19-85 Piso 7, Bogotá

Tel. 350 0600

Email: fenalco@fenalco.com.co

For information on upcoming government procurement programs visit: www.contratos.gov.co

For More Information

The U.S. Commercial Service in Bogota/Colombia can be contacted via e-mail at:

Gabriel.Ramjas@mail.doc.gov; Phone: (571) 383-2796/315-0811; Fax: (571) 315-2190 or visit our website: <http://www.buyusa.gov/Colombia>.

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