



Russia: The Safety and Security Equipment Market

Elizaveta Minyaeva
January 31, 2008

Summary

The Russian safety and security market is constantly growing and innovating, thus providing U.S. exporters excellent opportunities. With 20% annual growth for the past two years, its value was approximately \$1.7 billion in 2007. This report provides an overview of the safety and security equipment market, best prospects, and information about Russian industry-related exhibitions.

Market Demand

The Russian market for safety and security systems is developing rapidly, offering great potential for U.S. companies. Industry specialists note that one recent trend is the convergence of IT and safety and security technologies, which creates more opportunities for high quality U.S. technology exports. For example, the IP-based CCTV segment exceeded 100% growth in 2006 and color CCTV cameras will soon outnumber monochrome units. The best opportunities for U.S. manufactured hardware sales are in wireless and IP-based solutions in various equipment segments, access control systems, intruder alarm systems, integrated control systems, biometric equipment, and identifiers and readers. The strength of the safety and security systems market is its constant innovation and price competitiveness. New concepts and products may open new opportunities.

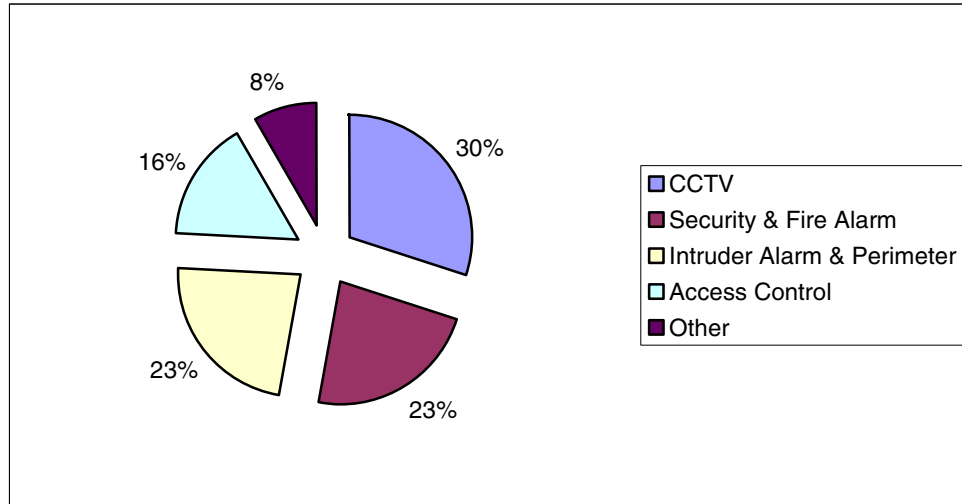
Market Data

In 2006, the total value of Russia's safety and security services and equipment market was \$5.6 billion. Demand is expected to grow 21% and reach \$6.8 billion in 2007, with services totaling \$5.1 billion, or 75% of the market, and safety and security equipment amounting to \$1.7 billion. Regarding regional segments, 60% of the market is concentrated in Moscow and St. Petersburg, 23% in the Urals Federal District, 11% in the Siberian Federal District, and 6% in the Northwest Federal District. The rest of the market is divided between the Volga, Far East and Southern Regions.

Annual market growth in the equipment segment is 12% to 30% depending on the product category. In 2006, the Russian CCTV and video surveillance segment totaled \$420 million, or 30% of the equipment market, with 30% annual growth. It is considered the most developed and competitive segment. The size of the security and fire alarm segment was around \$320 million (23% of the equipment market), increasing 12-15% annually. The intruder alarm and perimeter protection segment was also worth \$320 million, growing 12-15% per year as well. Access control systems reached \$225 million, a 16% share of this market, with current annual growth of 15-16%. Other more minor product categories account for the remaining \$115 million of the 2006 equipment segment.

According to market experts, two sectors, CCTV and access control systems, will dominate the market over next three years because they demonstrated the highest growth rates and largest sales volumes during past several years.

Safety and Security Equipment Market: Key Segments



Source: US Commercial Service Moscow.

Depending on the segment, the share of imported products ranges from 50% to 80%. Experts estimate that up to 80% of access control, about 50% of intruder and fire alarms, and more than 80% of CCTV systems are imported. Even locally manufactured equipment contains 60% to 80% imported components.

Key Suppliers

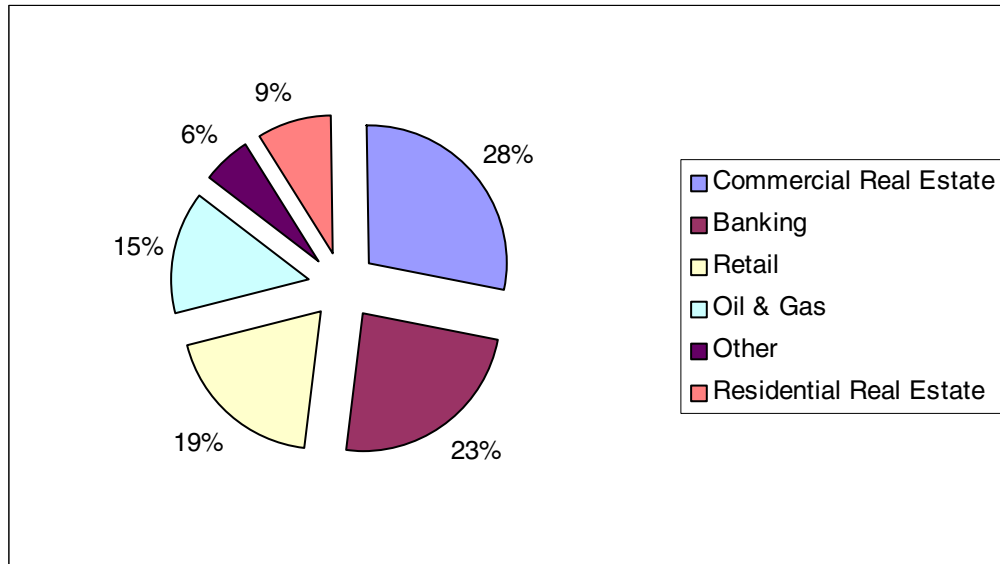
Suppliers are global companies but they are differentiated by region of manufacture and by equipment pricing. Depending on the market segment, low-cost solutions usually come from China, Taiwan, and Korea. Premium systems are imported from the U.S., Western Europe (Great Britain, Germany, France, Italy), Eastern Europe (Poland, Czech Republic), Japan, and Israel.

Prospective Buyers

Market participants can be divided into two groups, state enterprises and agencies, on the one hand, and nongovernmental organizations on the other. State agencies are represented in the security service market by the security agency of the Ministry of the Interior of the Russian Federation; security agencies of other Federal Ministries and Agencies; and federal unitary enterprises. Federal unitary enterprises in most cases would fulfill the purchasing and installation functions for the state agencies. All purchases by the state must be performed through tenders.

Nongovernmental market participants include private security agencies; security services of private companies; equipment distributors; specialized trade companies; and systems integrators that participate in security and safety equipment integration projects. Currently, there are over 300 distribution companies working in the Russian security market, although the channels are becoming concentrated and often smaller firms are simply resellers for the major distributors. Among the leading distributors are Satro-Palladin, Luis+, and Ultra Star.

Major Safety and Security End Users Segments



Source: Annual Report by the Russian Security Industry Association.

Regarding safety and security equipment “consumers”, there are several major industries that generate demand. According to the GMT Plus Marketing Agency, commercial real estate, banking, retail, and oil and gas are major end-users of this equipment. One of the current trends in this market is the increasing purchase of equipment and services by the residential real estate sector.

Market Entry

There are three basic ways to enter this Russian market:

- Distributors – the majority of safety and security equipment buyers prefer working through local distributors. Some safety and security equipment distributors have been in business for more than eight years and have extensive experience. More importantly for this industry, they have established connections in the government. Their detailed knowledge of the market and their multiple business connections enable them to find both buyers and sellers for a wide range of equipment. They often represent a number of companies, and may cover a large part of the country.
- Cooperative arrangements – cooperating with other equipment vendors that already have a strong presence is a creative way to enter the market. The advantage for vendors is being able to provide a wider range of equipment.
- Working directly with security agencies and service providers – service providers sometimes prefer working with equipment manufacturers directly, which facilitates meeting their complex needs more efficiently. In this case the most advantageous way is to work with large systems integrators.

Finding a local partner knowledgeable in the industry and with experience in participating in procurement tenders would be the most effective path to entering the Russian market.

Market Issues and Obstacles

Companies entering the market should be prepared to compete with foreign and local safety and security equipment manufacturers that have a strong presence in the Russian market. They should also be aware of the complex regulatory environment, bureaucracy and lengthy decision-making processes that are major problems in the Russian market. Safety and security equipment requires mandatory certification by government agencies. Depending on the equipment type, the Ministry of Interior, the Federal Security Service, and the Ministry of Information Technology and Communications might all be involved.

Resources & Key Contacts

U.S. Commercial Service in Russia offers U.S. exporters a number of services aimed at generating export sales, including identifying distributors and arranging meetings with prospective buyers. For more information on our services, please visit our web site at www.buyusa.gov/russia/en or contact us directly.

Organizations

www.buyusa.gov/russia/- the official website of U.S. & Foreign Commercial Service Russia.

Russian Security Industry Association
http://www.rasi.ru/index_eng.php

SIA – the U.S. Security Industry Association
<http://www.siaonline.org/>

Groteck Co., Ltd
<http://groteck.net/security>

VNIIPO, All-Russian Scientific-Research Institute for Fire Prevention (Fire security equipment certification body)
<http://www.vniipo.ru/>

Publications

Sec.ru – Industry Online Periodical
<http://www.sec.ru/>

CCTV Focus Magazine – Industry Periodical
<http://www.cctvfocus.ru/>

Russian Security Media & Exhibitions Brand Awareness 2006 report by GMT Plus
<http://www.gmtplus.com/publications.php?id=9>

Trade Events

The U.S. Commercial Service encourages firms to participate in local trade shows and conferences. Participation in industry events is very important in this Russian market and it facilitates successful market entry and ongoing business development.

SST (International Forum & Exhibition "Security and Safety Technologies")

Moscow, Crocus Expo

February 3-6, 2009

Organizer: Reed Exhibitions

Website: <http://www.tbforum.ru/eng>

The 2008 Security and Safety Technologies (SST) trade show was officially recognized by the U.S. Department of Commerce and accredited for the first time as a Department "Certified Trade Fair." The event is the leading security exhibition and congress in Russia, CIS and Eastern Europe. In 2008, U.S. Commercial Service Moscow for the first time had its own booth at the show, offering a range of matchmaking and promotional services to U.S. firms. CS Moscow recommends this event for interested U.S. companies.

MIPS (Moscow International Protection, Security & Fire Safety Exhibition)

Moscow, Expocenter, Krasnaya Presnya

April 14-17, 2008

Organizer: ITE LLC Moscow

Website: <http://www.mips.ru/eng/>

Interpolitex (International Exhibition of Police and Defense Technologies)

Moscow, All-Russia Exhibition Center (VVC)

October 28-31, 2008

Website: <http://www.interpolitex.ru/en/>

For additional information on the safety and security market in Russia, related trade events or questions about doing business in Russia contact Commercial Specialist, Elizaveta Minyaeva:

Liza Minyaeva, Commercial Specialist

U.S. Commercial Service

Embassy of the United States of America

Moscow, Russia

Tel: 7-495-737-5035

Fax: 7-495-737-5033

E-mail: Elizaveta.Minyaeva@mail.doc.gov

or visit our website: <http://www.buyusa.gov/russia/en>.

The U.S. Commercial Service — Your Global Business Partner

With a network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting <http://www.export.gov/>.

Disclaimer: The information provided in this report is intended to be of assistance to U.S. exporters. While we make every effort to ensure its accuracy, neither the United States government nor any of its employees make any representation as to the accuracy or completeness of information in this or any other United States government document. Readers are advised to independently verify any information prior to reliance thereon. The information provided in this report does not constitute legal advice.

International copyright, U.S. Department of Commerce, 2006. All rights reserved outside of the United States.