Statistical Data on the European Security Market

Review of the Ecorys report published in June 2015, mandated by DG Migration and Home Affairs

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1. Scope of this Document

This document reviews the report and provides quick information to the reader who may not have the time to review the entire 178 page report. It focuses on extracting the market data which are relevant for Euralarm and its members. The Executive Summary provides all essential information. Further chapters are only relevant for those who want to understand and follow in detail the methodology used and for those interested in detailed country / product category breakdowns.

2. Definition of the Market

The security market is understood to encompass private enterprises (and research institutions) that are engaged in or that support the development and supply of products and services that provide (technical) capabilities used in the delivery of civil security functions[1].

Civil security (or internal security) is concerned with ensuring an environment – primarily within the territory of a State – in which citizens, enterprises, and public and social institutions are safe from civil security risks and threats. The market definition excludes all non-civil products and services.

Although analysed in the context of the study, the public security forces (police and professional fire fighters) are clearly not part of the market.

Geographically the study surveys the EU.

3. Methodology

Due to the relevance of the market and similar to Euralarm, Ecorys express concerns about the lack of market data based on the current statistical programs of the EU. In addition they also comment the very high fragmentation of this market as one of the reasons for the lack of transparency.

Ecorys use multiple approaches to analyse the market, that are based on responses from a large sample of enterprises in the sector in DE, EE, ES, FR, IT, PL and UK. The sample is then extrapolated to assess the market in each country. For each country Ecorys make an adjustment to take into account companies that provide products and/or services to the civil and to the defence sectors.

[1] Ecorys study, page 9

The sum resulting from the seven countries is then further extrapolated to the entire European Union. The method includes a degree of uncertainty that is reflected in quoting upper and lower limits and defining the mid-point between these two as the true market size.

The survey has been conducted in 4 main categories in order to assess the monetary value of the market and the number of people employed:

- Physical security products and services
- Private security services
- Cyber security products and services
- Public security services (not included in the market definition)

4. General Findings

- The physical security products and services are the most important category in virtually all countries (approx. 50% of the companies), followed by privates security services (approx. 40% of the companies). Cyber security (about 10% of the companies) is not only the smallest sector, but also fairly disconnected from the two primary categories.
- The structure of the market is to a large extent (typically well above 60%) regional and national
- Only about 10% of the enterprises in the sector have more than 50 employees
- About 40% of the companies in the sector estimate the market growth to be greater than 10% per year during the past 5 years.

5. Overall quantitative findings

According to the Ecorys study the entire security industry in the EU generates annual revenues of EUR 191 billion with approx. 2.3 million people[2]. By category[3]:

- Physical security products and services	EUR 88 bn.	740'000 people
- Private security services (includes monitoring)	EUR 77 bn.	1'230'000 people
- Cyber security products and services	EUR 26 bn.	290'000 people

When the market size is adjusted for defences products and services, the totals need to be reduced by about 20% for revenues and by about 15% for people employed.

The study also provides a breakdown of the market value by end-use segment[4]:

- Private households	10%
- Critical infrastructure (energy, water, transport, communication)	10%
- Commercial customers	43%
- Public administration (including police / defence subcontracts)	19%
- Security industry own use and unspecified other usage	18%

A more detailed break-down of end-use can be found in the Ecorys study on page 21.

[2] Ecory study, table IV, page 17
[3] Ecorys study, tables VI, VII and VII, pages 19/20
[4] Ecorys study, tabke IX, page 21

6. Market size for Euralarm relevant product/service categories

Current Status

Euralarm relevant products and services categories from Table VI and VII of the Ecorys study are tabled below. Product categories labelled "other ..." are not included as we cannot assess whether their content is relevant for Euralarm. In the last two columns, the values resulting from the Ecorys study have been further extrapolated from the EU-28 member states to the entire perimeter of Euralarm (Europe Euralarm[5]). Using the Ecorys GDP method, the EU-28 figures have to be multiplied by 1.16. The results are summarized in Table 1 below.

Euralarm therefore stands for a market with a total value of EUR 67 bn that provides employment for 710'000 people. Even if the lower limit value according to the Ecorys study should be applied, the market size remains close to EUR 60 bn providing employment for over 600'000 people.

Table 1: Estimate of the Euralarm relevant market size and employment

Product category (includes related tech. services)	EU-28		EU-28, defence adjusted		Europe Euralarm	
	EUR million	Employees	EUR million	Employees	EUR million	Employees
Fire detection, alarm and suppression	12'700	107'800	10'160	91'630	11'786	106'291
Intruder detection and alarm	11'900	93'400	9'520	79'390	11'043	92'092
Local area observation, including video	10'900	88'800	8'720	75'480	10'115	87'557
Wide are observation and surveillance	3'300	26'800	2'640	22'780	3'062	26'425
Identification, authentication, access control	8'800	73'000	7'040	62'050	8'166	71'978
Tracking and tracing, localisation	2'600	22'400	2'080	19'040	2'413	22'086
Command & control, decision support	2'500	22'900	2'000	19'465	2'320	22'579
Intelligence and information gathering	2'100	16'900	1'680	14'365	1'949	16'663
Detection and screening	1'800	18'400	1'440	15'640	1'670	18'142
Remote monitoring services	9'500	168'500	7'600	143'225	8'816	166'141
Security research, technical	6'200	80'000	4'960	68'000	5'754	78'880
TOTAL	**72'300**	**718'900**	**57'840**	**611'065**	**67'094**	**708'835**

Comparison with market segments outside the scope of Euralarm

The study's defence adjusted results for other market segments for EU-28 can be extrapolated for "Europe Euralarm" as follows:

	Market size	Number of Employees
- Cyber security	EUR 23 bn	270'000
- Other (manned) security services	EUR 74 bn	1'300'000

Growth patterns

For the Euralarm relevant products and services categories the study reports a growth of 6% for the last five years before the study. Respondents to the study expect a stronger growth of 11% for the next 5 years.

Cyber security experiences a much stronger growth: 10 % for the past five years, 14% expected for the next 5 years. By contrast, manned security has a more moderate growth: 5% for the past 5 years, 5% expected for the next 5 years.

[5] Europe Euralarm = EU28 + Norway, Iceland, Switzerland, Macedonia, Albania, Serbia, Ukraine, Turkey

With the higher growth expected in the coming years for technology based services compared to people based services, the Euralarm relevant product categories are likely to become the single most important segment within the entire market in the near future. Despite much faster growth, the cyber security services are not expected to match up with the two other segments in the near future due to a much smaller starting volume.

Services within the Euralarm relevant product categories

Most of the Euralarm relevant product categories identified in Table 1 include a significant portion of services for designing, installing, testing and commissioning solutions (including one-time system modernisation and migration), as well as for maintenance and possibly even for operation during the entire useful life of a system. The Ecorys study does not address this topic at all – possibly one of the still remaining gaps in verified statistical data for the European security market.

Non verified assessments from Euralarm members suggest the following distribution of activity within the relevant product categories:

- One time manufacturing and logistics of products & systems 30-35%
- One time services for solution design, installation, testing, commissioning 18-22%
- Recurring services during the lifetime of services 44-52%

For more substantiated information further field study will be required.