


4/24

# EXAMPLE 2

## Security Systems In Argentina



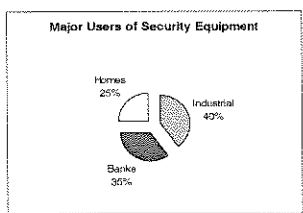
## Recent History of Security System Industry

- Industry growth
  - Insecurity
  - Crime rates
- Imports — *see handout page 1*
- Sales
  - Joint venture
  - Representation or distribution agreements
- Average Cost of a Security System
  - \$350 – 1200, with various monthly payments

References – 4, 18

## Recent History continued

### Major Users of Security Equipment



User Category	Percentage
Industrial	40%
Banks	30%
Homes	25%

References - 5

## Demographics

- Population — 37,812,817
- Capital City - Buenos Aires
- Religion — Roman Catholic 92%
- Language — Spanish (official), English, Italian, German, French
- Ethnic group
  - White (mostly Spanish and Italian) – 97%
  - Mestizo, Amerindian, or other – 3%

References - 6

## Economy

- Unstable Economy
- GDP Growth
  - .8% (1997-2001 average)
  - -4.5% (2001)
- Inflation rate
  - 4.7% (1998-2002 average)
  - 41% (2002 to year end)
- Unemployment rate
  - 21.5% (mid 2002)
- 25.5% below poverty line

References – 2, 6, 10, 15

## Income and Consumer Spending

- Annual Disposable Income
  - \$7,413 Argentina
  - \$27,165 USA
- Consumer Expenditure on Goods & Services
  - 6.72% Argentina (per household)
  - 5.04% USA (per household)
- Minimum wage
  - \$1.00/hour Argentina
  - \$5.25/hour USA

References – 16, 20

## Political Environment

- **Government Structure**
  - Similar to USA
  - Three branches
- **Unstable Government**
  - Leadership changes
  - Conflict between branches
- **1989 Economic Emergency Law**

References - 1, 2

## Technological Environment

- **Personal Computers**
  - 4.92% Argentina
  - 51% USA
- **Internet Users**
  - 900,000 Argentina
  - 74,100,000 USA
- **Households with Color Televisions**
  - 29.3% Argentina
  - 84.4% USA

References - 6, 20, 21

## Technological Environment

- **Consumer Expenditure on Books, Newspapers, and Magazines**
  - 1.07% of Argentina total consumer spending
  - 1.44% of USA total consumer spending
- **Transportation - Highway**
  - Paved - 29%
  - Expressways - 1%
  - Unpaved - 70%

References - 6, 20, 21

## Competitors

2001 Largest Importers of Security Equipment

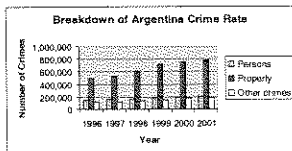
IMPORTERS	MILLIONS	%
TELLEX S.A.	\$3,766,152.02	7.73%
SENSORMATIC ARGENTINA SA	\$3,123,195.88	6.41%
GALAXI ENTERTANINTMEN ARGENTINA	\$2,580,019.20	5.29%

- **Private Security Guard Services**
  - 90,000 private security guards in Argentina

*\* see handout page 2*

References - 19

## Crime



- **Population Per Police Officer**
  - 1,270 to 1 in Argentina
  - 318 to 1 in USA
- **50% increase in gun sales**

References - 3, 5, 15

*\* see handout page 3*

## Five Year Industry Forecast

- **World Forecast**
  - 6.6 million per year (est.)
- **Potential Sales**
  - 5% growth per year (est.)

*\* see handout page 4*

References - 14, 18

**Recommendation**  
**Do Not Enter Security Industry in Argentina**

---

- Unstable Economy
- Police
- Business Culture
- Private Security Services


Referencias - 3 17

**Recommendation**  
**Entering Security Industry in Argentina**

---

- Target Businesses
- Joint-Venture
- Export Parts
- Primary Research
  - Focus Groups
  - Surveys

\* see handout page 5 for additional research



Presented By:  
 Julie Leno  
 Stephanie Peterson  
 Woubejig Shiferaw

Referencias - 6

# Handout

## 2001 Top Country Imports of Security Equipment

This chart shows the top countries that Argentina imports Security Equipment from in ranked order.

	<b>Country</b>	<b>Millions</b>	<b>%</b>
1	USA	\$15	30.99
2	Japan	\$4.6	9.45
3	Canada	\$3.8	7.69
4	Korea	\$3.5	7.30
5	China	\$2.9	5.91
6	Taiwan	\$2.8	5.81
7	Germany	\$2.3	4.78
8	Brazil	\$2.1	4.46
9	Mexico	\$1.8	3.65
10	UK	\$1.6	3.29
11	Israel	\$1.5	3.11
12	Italy	\$1.0	2.13
13	France	\$0.96	1.97
14	Spain	\$0.61	1.26
15	Belgium	\$0.54	1.10
	<b>Total</b>	<b>\$48.8</b>	<b>100%</b>

From the chart you can see that the most imports are by far from the United States with approximately 31 percent of the Argentina import market.

## Largest Imports of Security Equipment of Argentina

Table 1 below shows a list of largest importers of security equipment in Argentina. The list shows the top 20 security equipment importing companies for 2001.

Table 1

<b>2001 LARGEST IMPORTERS OF SECURITY EQUIPMENT</b>			
	<b>Importer</b>	<b>Millions</b>	<b>%</b>
1	TELLEX S.A.	\$3,766,152.02	7.73%
2	SENSORMATIC ARGENTINA SA.	\$3,123,195.88	6.41%
3	GALAXI ENTERTAINMENT ARGENTINA	\$2,580,019.20	5.29%
4	CHECKPOINT SYSTEMS SA.	\$2,485,912.68	5.10%
5	GETTERSON ARGENTINA S.A.I.C.	\$2,369,609.71	4.86%
6	DETECTION SYSTEMS ARGENTINA SR	\$1,330,676.77	2.73%
7	SIDERCA SAIC.	\$1,239,847.74	2.54%
8	TELEARTE SA. EMPRESA DE RADIO	\$1,036,481.70	2.13%
9	DRAFT SRL.	\$995,703.22	2.04%
10	DR IMPORTS SECURITY SYSTEMS S.	\$903,587.30	1.85%
11	DETCO SA.	\$831,521.98	1.71%
12	SIMICRO S.R.L.	\$730,039.34	1.50%
13	HALLIBURTON ARGENTINA SA.	\$717,172.86	1.47%
14	MATAFUEGOS DONNY S.R.L.	\$693,792.94	1.42%
15	SEGUMARKET S.A.	\$678,549.70	1.39%
16	SKY ARGENTINA S.C.A.	\$631,661.25	1.30%
17	PANASONIC ARGENTINA S.A.	\$615,176.85	1.26%
18	SIF CARD INTERNATIONAL SA.	\$527,240.00	1.08%
19	CERBERUS MAC KEON S.A.	\$500,622.72	1.03%
20	XIDEN SACI.	\$471,587.05	0.97%
	<b>Sub-Total</b>	<b>26,228,550.91</b>	<b>53.8%</b>
	<b>Total</b>	<b>48,751,058.49</b>	<b>100%</b>

As you can see, Tellex S. A. has the largest percentage of imported security equipment at 7.73 percent.

## Crime Rates

Here is a list of various crimes committed against other people.

### Crime Rate

186/100,000	Argentina
5374/100,000	United States

### Burglary Rate

1.5/100,000	Argentina
1,041.8/100,000	United States

### Assault Rate

.6/100,000	Argentina
430.2/100,000	United States

### Murder Rate

.2/100,000	Argentina
9/100,000	United States

The United States crime rates is 28 times higher than Argentina's, and has overall more burglary, assault, and murder. Argentina's crime against people is actually ranked very low compared to the rest of the world.

\*Numbers may not be accurate because crimes are under reported in Argentina.

## Five-Year World Forecast for Security Systems ~~in~~ Argentina

The figures shown below are the private security service demand, and the revenues are shown in millions.

Place	1999	2004	Share
United States	\$27.3	\$39.9	40.22%
Western Europe	22.6	32.1	32.36
Other World	5.8	10.5	10.58
Japan	4.2	6.1	6.15
Other Asia	4.2	7.5	7.56
Canada & Mexico	2.1	3.1	3.13
<b>Total</b>	<b>66.2</b>	<b>99.2</b>	

$$99.2 - 66.2 = 33$$

Approximate average growth rate of security systems in the world per year.

$$33/5 = 6.6 \text{ million per year}$$

From the data stated above the world security system industry is forecasted to grow by approximately **6.6 percent** each year for the next 5 years.

### Five-Year Sales Forecast of Security Equipment in Argentina

This chart shows the Argentine market for security and safety equipment in millions of U.S. dollars.

	1999	2000	2001	Projected Growth
Total market size	350	367.5	386	5%
Total local production	287	296.7	302	2%
Total exports	7	10.2	8	2%
Total imports	70	81	92	13.5%
Imports from U.S.	18	20	22	10%

As you can see from the chart above the security equipment industry is projected to grow by about 5% per year in Argentina.

## Additional Marketing Research

For the right price, there are many reports and analysis about the Argentina business environment as well as specifics on the security industry in the country. According to their web site, the Economist Group is the leading source of analysis on international business and world affairs, while keeping an objective opinion. They deliver information through a range of formats, from newspapers and magazines to conferences and electronic services. The following is a list of additional reports that we thought would be helpful for this study.

- *Country Reports*  
Single issue - \$215  
Subscription - \$455
- *Country Industry Forecasts*  
Single issue - \$350  
Subscription - \$450
- *Country Commerce Argentina* - \$365
- *Five Year Forecast Table* - \$120
- *Country Forecast Summary* - \$24
- *Country Outlook* - \$24
- *Country Profile* - \$245

Keep in mind that this is just a short list of what the Economist Group can offer you. For details on what is included in each of these reports, please visit [www.store.eiu.com](http://www.store.eiu.com).

## Works Cited

1. Argentina. 12 Mar. 2003 <<http://www.argentina.gotolatin.com/eng/Info/Hbook/seguridad.asp>>.
2. Argentina. U.S. Department of State. 02 Mar. 2003 <<http://www.state.gov/r/pa/ei/bgn,>>.
3. Argentine police in violent attack on trade union demonstrators. 25 Apr. 2000. 23 Feb. 2003 <<http://www.wsws.org>>.
4. "Argentina Security Systems." Market Research Reports (n.d.). 05 Mar. 2003 <[http://www.stat-usa.gov/mrd.nsf/vwISA\\_Country/>](http://www.stat-usa.gov/mrd.nsf/vwISA_Country/>).
5. "Argentina Security Systems." STAT-USA Market Research Reports (n.d.). 05 Mar. 2003 <[http://www.stat-usa.gov/mrd.nsf/vwISA\\_Country/>](http://www.stat-usa.gov/mrd.nsf/vwISA_Country/>).
6. CIA World Fact Book. 20 Mar. 2003 <<http://www.d.umn.edu/~jvileta>>.
7. Dangerous World: Argentina. 01 Mar. 2003 <<http://www.dangerous-world.com/argentina/index.htm>>.
8. "Dun's Market Services." Exporter's Encyclopedia. New York: Dun & Bradstreet International, 2002.
9. Economist Intelligence Unit. 02 Mar. 2003 <<http://www.economist.com/countries/Argentina/profile.cfm?folder=Profile%20Economic%20Data,>>.
10. The Economist Intelligence Unit. 28 Mar. 2003 <<http://www.store.eiu.com>>.
11. Encyclopedia of Emerging Industries. Detroit: Gale Research, Inc.
12. Forecast. Economist Intelligence Unit. 02 Mar. 2003 <<http://www.economist.com/countries/Argentina/profile.cfm?folder=Profile-Forecast>>.
13. Heil, Scott . Encyclopedia of American Industries. . Detroit: 2001.
14. Hoovers Handbook of the World Business. Austin TX: 2002. 1531-1532.
15. The Illustrated Book of World Rankings. Armonk, NY: Sharpe Reference, 2001. 104,289, 395-400.
16. The Labor Economy. 22 Feb. 2003 <<http://www.invertir.com/argentina/labor.html>>.

17. Let's Make a Deal. ExecutivePlanet.com. 03 Mar. 2003  
<<http://www.executiveplanet.com/business-etiquette/Argentina.html>,>.
18. Security and Safety Equipment.. U.S. Commercial Service. 02 Mar. 2003  
<<http://www.ustrade.gov/Website/ForOffices.nsf/AllByID>>.
19. SECURITY EQUIPMENT. 10 Jan. 2002. USDOC, International Trade Administration. 03 Mar. 2003  
<[http://www.stat-usa.gov/mrd.nsf/vwISA\\_Country/60E1465E085BBB8585256C450050DC81?>](http://www.stat-usa.gov/mrd.nsf/vwISA_Country/60E1465E085BBB8585256C450050DC81?>)>.
20. World Consumer Lifestyle Databook. Great Britian: Euromonitor International, 2002. 306-309.
21. World Development Indicators. New York: World Bank Group, Annual: 306.