Security Systems in Argentina

Recent History of Security System Industry
- Industry growth
- Insecurity
- Crime rates
- Imports
- Sales
- Joint venture
- Representation or distribution agreements
- Average Cost of a Security System
  - $350 - 1200, with various monthly payments

Recent History continued

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%

Economy
- Unstable Economy
- GDP Growth
  - 8% (1997-2001 average)
  - 4.5% (2001)
- Inflation rate
  - 4.7% (1999-2002 average)
  - 4.1% (2002 to year end)
- Unemployment rate
  - 21.5% (mid 2002)
  - 25.5% below poverty line

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
Political Environment

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

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

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%

Competitors

2001 Largest Importers of Security Equipment

<table>
<thead>
<tr>
<th>IMPORTERS</th>
<th>MILLIONS</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TELLEX S.A.</td>
<td>93,796.02</td>
<td>7.73%</td>
</tr>
<tr>
<td>ENSIFORMA ARGENTINA S.A.</td>
<td>33,123.98</td>
<td>2.81%</td>
</tr>
<tr>
<td>GALAXI ENTERTAINMENT ARGENTINA</td>
<td>2,860.012</td>
<td>0.23%</td>
</tr>
</tbody>
</table>

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

Crime

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

Five Year Industry Forecast

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

* see handout page 3

* see handout page 4
**Recommendation**
Do Not Enter Security Industry in Argentina

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

**Recommendation**
Entering Security Industry in Argentina

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

# see handout page5 for additional research

Presented By:
Julie Lero
Stephane Peterson
Woojeong Shihzaw
2001 Top Country Imports of Security Equipment

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

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

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>
<thead>
<tr>
<th>Importer</th>
<th>Millions</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TELLEX S.A.</td>
<td>$3,766,152.02</td>
<td>7.73%</td>
</tr>
<tr>
<td>SENSORMATIC ARGENTINA SA.</td>
<td>$3,123,195.88</td>
<td>6.41%</td>
</tr>
<tr>
<td>GALAXI ENTERTAINMENT ARGENTINA</td>
<td>$2,580,019.20</td>
<td>5.29%</td>
</tr>
<tr>
<td>CHECKPOINT SYSTEMS SA.</td>
<td>$2,485,912.68</td>
<td>5.10%</td>
</tr>
<tr>
<td>GETTerson ARGENTINA S.A.I.C.</td>
<td>$2,369,609.71</td>
<td>4.86%</td>
</tr>
<tr>
<td>DETECTION SYSTEMS ARGENTINA SR</td>
<td>$1,330,676.77</td>
<td>2.73%</td>
</tr>
<tr>
<td>SIDERCA SAIC.</td>
<td>$1,239,847.74</td>
<td>2.54%</td>
</tr>
<tr>
<td>TELEARTE SA. EMPRESA DE RADIO</td>
<td>$1,036,481.70</td>
<td>2.13%</td>
</tr>
<tr>
<td>DRAFT SRL.</td>
<td>$995,703.22</td>
<td>2.04%</td>
</tr>
<tr>
<td>DR IMPORTS SECURITY SYSTEMS S.</td>
<td>$903,587.30</td>
<td>1.85%</td>
</tr>
<tr>
<td>DETCON SA.</td>
<td>$831,521.98</td>
<td>1.71%</td>
</tr>
<tr>
<td>SIMICRO S.R.L.</td>
<td>$730,039.34</td>
<td>1.50%</td>
</tr>
<tr>
<td>HALLIBURTON ARGENTINA SA.</td>
<td>$717,172.86</td>
<td>1.47%</td>
</tr>
<tr>
<td>MATAFUEGOS DONNY S.R.L.</td>
<td>$693,792.94</td>
<td>1.42%</td>
</tr>
<tr>
<td>SEGUMARKET S.A.</td>
<td>$678,549.70</td>
<td>1.39%</td>
</tr>
<tr>
<td>SKY ARGENTINA S.C.A.</td>
<td>$631,661.25</td>
<td>1.30%</td>
</tr>
<tr>
<td>PANASONIC ARGENTINA S.A.</td>
<td>$615,176.85</td>
<td>1.26%</td>
</tr>
<tr>
<td>SIF CARD INTERNATIONAL S.A.</td>
<td>$527,240.00</td>
<td>1.08%</td>
</tr>
<tr>
<td>CERBERUS MAC KEON S.A.</td>
<td>$500,622.72</td>
<td>1.03%</td>
</tr>
<tr>
<td>XIDEN SACI.</td>
<td>$471,587.05</td>
<td>0.97%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-Total</th>
<th>$26,228,550.91</th>
<th>53.8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$48,751,058.49</td>
<td>100%</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Place</th>
<th>1999</th>
<th>2004</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$27.3</td>
<td>$39.9</td>
<td>40.22%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>22.6</td>
<td>32.1</td>
<td>32.36%</td>
</tr>
<tr>
<td>Other World</td>
<td>5.8</td>
<td>10.5</td>
<td>10.58%</td>
</tr>
<tr>
<td>Japan</td>
<td>4.2</td>
<td>6.1</td>
<td>6.15%</td>
</tr>
<tr>
<td>Other Asia</td>
<td>4.2</td>
<td>7.5</td>
<td>7.56%</td>
</tr>
<tr>
<td>Canada &amp; Mexico</td>
<td>2.1</td>
<td>3.1</td>
<td>3.13%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>66.2</strong></td>
<td><strong>99.2</strong></td>
<td></td>
</tr>
</tbody>
</table>

99.2-66.2=33

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

33/5=6.6 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.

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

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.
Works Cited


<http://www.usetrade.gov/Website/ForOffices.nsf/AllByID>.

