Security Systems in Argentina

Objectives
• Recent history
• Environmental influences
• Industry forecast
• Recommendations

Recent History

• In 1990, the government opened the market to the world in security systems
• The Argentina market for security equipment has become almost reliant entirely upon imported goods
• Low-scale/high-cost local production could not compete with low-price/high-quality foreign products
• Market growth in recent years has been largely attributed to:
  - Rise in crime rate
  - High levels of perceived insecurity by the population
  - Increased priority of improving workplace safety and security

Source: US&FCS Market Research Reports
Demographics

- Population: 37,812,817 (July 2002)
- Growth Rate: 1.13%
- Age Structure
  - 0-14: 26.3%
  - 15-64: 68.2%
  - 65+: 10.5%
- Ethnic Groups
  - Caucasian (mostly Spanish & Italian): 97%
  - Mestizo
  - Amerindian
  - Non-white
- Life Expectancy
  - Male: 72.1
  - Female: 79.03

Source: CIA World Factbook

Demographics cont...

- Literacy: age 15 and over can read and write: 96.2% (July 2002)
- Main Industries: food processing, motor vehicles, consumer durables, textiles, petrochemicals, printing, steel
- Languages: Spanish (official), English, Italian, German, French
- Legal System: mix of U.S. and Western European legal systems

Source: CIA World Factbook
Health of the Economy

- Currency: Argentine Peso (ARS)
- Exchange rate: Argentine pesos per U.S. dollar- 2.96 (March 2003)
- GDP: $453 billion (2001)
- GDP per capita: $12,000
- GDP- real growth rate: -5%
- Unemployment rate: 25% (2001)
- Economic aid Recipient: IMF offer of $13.7 billion (Jan. 2001)

Sources: D & B Export Guide, CIA World Factbook

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Argentina Unemployment Rate

Source: National Bureau of Statistics and Census (INDEC)
Income and Consumer Spending

- Average Income: $8,000 per year
- Average Monthly consumer spending: $1,008 per household (Buenos Aires)

Source: Argentina Business
Political Environment

- President: Eduardo Duhalde
- Vice President: Carlos Alvarez - resigned
- Government: Republic
  - Revised constitution has Executive Branch, Bicameral Legislature, and Independent Judiciary
  - Each province has its own constitution

Source: BBC News

For current situation see: Exhibit A
Source: Argentina Country Commercial Guide 2002

Political Issues Affecting Business

- Social Instability
  - High unemployment rates
  - Inequalities in economic development of regions
  - Inadequate social services

- Unfair enforcement of laws for U.S. companies

Source: Argentina Country Commercial Guide 2002
Technological Environment

- Telephones (Main lines): 7.5 Million
- Cell Phones: 3 Million
- Radio Broadcasting:
  - AM: 260 stations
  - FM: 1,000 stations
- Televisions: 7.95 million
- Television Stations: 42
- Internet Service Providers: 33
- Internet Users 3.88 million

Source: www.adl.com

Source: CIA World Factbook

Competitors - Top 20

- Tellex
- Sensormatic
- Galaxi Entertainment
- Checkpoint Systems
- Getterson
- Detection Systems
- Siderca SAIC.
- Telearte
- Draft
- DR Imports Security Systems
- Detcon
- Simicro
- Halliburton
- Matafuegos Donny
- Segumarket
- Sky
- Panosonic
- SIF Card International
- Cerberus Mac Keon
- Xiden

For market share distribution see: Exhibit B

Source: STAT - USA Internet, US & FCS
Market Research Reports International
Crime Rates

Percent of Population Burglarized in Buenos Aires

Source: Victimization Studies

Crime Rates

Percent of Robberies in Buenos Aires

Source: Victimization Studies
Crime Rates

- Only 25.6% of all crimes are reported to police
- Total number of crimes has increased 574% over last 10 years
- 2.2 million weapons in Argentina
  - 14% owned by Security Forces
  - 86% owned by individuals

Sources: Fire, Police & Security Market in Argentina
Country Report

World Financial Forecast

![Graph showing Total Revenue in Security Systems Industry (billions)]

Numbers are accurate through 2002. Numbers are estimated based on sales history and market averages from 1994-2002.

Source: Pockets of Strength
Recommendation

Market Entry Opinion:
- Yes, we believe that Argentina shows a promising potential for a new entrant for security systems.
- Argentines show great concern for personal security and safety
- Concentrate on Buenos Aires because that is where the majority of the population resides
- Outlook for the security system industry is growing due the fact that 7 of 10 Argentines would be robbed
- US imports account for 30% of all imports

Target Market:
- Industrial and commercial facilities
- Banks
- Private homes

Primary Research:
- Conduct focus group studies
- Survey target markets

Additional Marketing Research

- To Purchase for a Fee:
  - Economic Intelligence Unit: London.
  - $489.00 for a one year monthly review
  - Mindbranch.com
  - They believe that the fastest growth for security systems is in the world’s developing regions.
  - For printed copy $4,800 will give everything from revenues forecasts through 2011 to current crime rate
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