

## Business Development Challenges for Security Industry – The Classical Market and The New Technology Market

**Emilian Cristian Irimescu**  
ASE Bucuresti - Scoala doctorala  
emil.irimescu@gmail.com

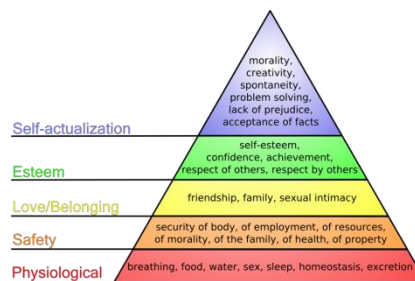
The past years have been dominated by the technology's development in all areas of our social, professional and economic life. Security industry is also an area which is invaded day by day by new technology, like biometric technology or IP video analysis, and which is moving to a new vision and strategic approach. In this context, the Business Development activity for the security industry must be in concordance with the new trends of our society development. Also, Business Development for security industry must face new threats and some new issues raised by big infrastructure networks. This article wants to highlight the key aspect that the security management and the Business Development in the security industry must take into consideration for a successful activity. Which must be the strategy for a successful security business in this context? Which are the implications from the marketing perspective that lay's behind the new technology approach? Is technology for the security industry a necessity or just a caprice? We try to find out and to analyze the technology application in security for our market and also for international markets.

**Key words:** Security, business, development, marketing, management, technology, strategy

**JEL classification:** M31, M10.

### 1. Introduction

Security industry is an industry almost as old as human civilization. If we look to the Maslow's pyramid we will see that safety and security, in different shapes, are on the second place in the human being needs pyramid hierarchy. For that, safety and security was, are and will be permanent needs that should be satisfied.



**Figure 1. Maslow pyramid**

Source: [http://ro.wikipedia.org/wiki/Abraham\\_Maslow](http://ro.wikipedia.org/wiki/Abraham_Maslow)

But, like in almost any of the active industries from today, also the security industry suffered and is suffering a series of structural and functional transformations. Shown initially as an activity based mostly on the human contribution, security industry's focus was for a long time on the man guarding, in many versions and structures. Then, as a consequence of the technology and electronics, security industry made space to what we call today electronic security systems. These systems, even there are burglary systems, monitoring systems, access control systems or others, completed or replaced the classical ways of approaching security. (Fennelly, 2012). The way these systems work is independent or related with man guarding.

In the last years we are the witnesses of a clear trend of the consolidation of what we call Security Solutions. Security solutions approach the covering of the security needs, even if we talk about the human being, an organization or the society by the complete integration of the man guarding with some electronic security technologies, no matter their share is. The integrated approach of different security techniques is also a consequence of the increasing threats complexity. We can have cybernetics threats, terrorist threats, etc.

Business Development activity must take into consideration this aspects from an internal organization standpoint (organizations must keep up with the last trends in the industry) and also from the marketing and commercial standpoint (client oriented).

### **1.1. Security services**

Being the first manifestations of the security industry, security services and specially man guarding was for many decades the main way of providing this services and always the engine of this activity from a commercial and organizational standpoint. With a variety of forms, like perimeter guarding, access control guarding, intervention teams, escort, etc., all this forms always stand under the shadow of a low quality service, because of the almost exclusive use of the human factor (Fennelly, 2012).

Today, we are witnessing the phenomenon of transformation of these services through technology in other ways of covering the same necessities. Obvious, there are still a lot of services that are difficult to translate to technology. For example, we can nominate the reception services or escort and guard services.

### **1.2. Security systems**

In comparison to the centuries or millenniums of man guarding in different forms, electronic security systems are just a few decades old. For that, when applied electronic and automation showed up, we also discovered the first forms of electronic security systems (Khairallah, 2006). In different forms, from video security systems to alarm systems or control access systems, all this technologies are based on programmable microcontrollers, devices that evolve step by step to microcomputers exclusively dedicated to security purposes.

From the beginning, security systems differed fundamentally of man guarding by high stability and high fidelity. In fact, we talk about the physical and moral resistance, resistance that will always be in technology case higher than in human case.

### **1.3. Security solutions**

If until now we clarified what represented and what are representing the classical security services and electronic security systems, next we will define the border that define the Security Solutions and what delineates them by the previous approaches.

At this moment we do not have a clear definition of what we call Security Solutions. Like any other term, we can approach it from many standpoints: structural, functional and commercial.

From a structural standpoint, the security solution supposes the mandatory existing of a technological component (electronic security system) and also a security service, like man guarding, consultancy or monitoring. The electronic security system can be video based, alarm based (even we talk about closed spaces or perimeter detection), access control or other.

From a functional standpoint, the security solution must provide the fulfillment of a security need, even if we talk about a person or an organization. Generally, the kinds of security needs satisfied by security solutions are medium or high difficulty, fact that justify in a way the use of different security techniques. The increased complexity of threats is based on the economic and social phenomenon of the last decades. For that we can mention the critical infrastructure networks (Knapp, 2015), industries globalization, increasing interdisciplinary of the industries, etc. But, we can adopt Security Solutions also in simple situations, like residential areas or small office areas.

The third standpoint of these security solutions, very important from the perspective of this paper, is the commercial one. The security industry made a big step to the customer, no matter the nature or the complexity of the subject, to help him and to give him a complete solution for its need. The provider of the solution is fully responsible for the functionality of the solution, because he is choosing and designing it. Because the solutions are more technical and more complex, there are not any more at the hand of any customer to choose and/or evaluate them. For that, from the commercial standpoint, the security industry is now based on the dialog with the client, the need identification and then with the full responsibility of choosing the solution and implementing it. The management of the solution is only the provider responsibility.



*Figure 2. Security solutions map*

Another important fact about the security solutions is the capacity of the security companies of approaching these services. For that, all of them must take into consideration the technology implementation in their activity, or if they have this component to modify the weights in technology favor.

#### **1.4. Legal framework**

Because we do not have a clear Security Solutions definition and because we do not have an official line between the classical methods - like man guarding, electronic security systems and consultancy – and what we call security solutions, the legal framework in Romania and also in European Union treats the security activities only on the classical components. Thereby, the 333 Law from 2003 republished in 2014 and the Government Decision number 301 from 2012 approaches separately security aspects like man guarding, risk assessment, electronic security systems and security dispatches. The provider has the freedom to choose the right combination of these services.

The only step made by the law in Romania to an integration of these services is by the standpoint of minimal request on some special activities with a high risk level. These requests conduct the beneficiary and the provider to a security approach both in terms of security services and electronic security systems. But, from here to the security solutions there are still few steps to do.

#### **2. State of knowledge**

About the security industry we have a lot of books and papers, mostly focused on physical security, from the electronic security standpoint and also from the classical man guarding standpoint. Also we have a lot of technical books focused on the applied domain of the security (supply chain, retail, hospitality, etc.).

A clear example is *The Security Risk Assessment Handbook: A Complete Guide for Performing Risk Assessment* published by Douglas J. Landoll in 2006. The book is about risk, treating it in a professional and detailed manner. Another relevant book is *Effective Physical Security* published by Lawrence Fennelly in 2013. This book approach physical security mostly from the vulnerabilities and their treating standpoint, using modern ways and electronic security systems.

There are also some books that besides the technical aspects of security also approach their applications. An example is *Biometrics: Identity Verification in a Networked World*, published by Samir Nanavati. The book is about applying the biometrics techniques in fields like security, online commerce and telemarketing.

About Business Development, the literature is full of books that present techniques of focusing the efforts on the customers or the operational flow less. In all this ways the books indicate the same purpose, the increase of sells, by finding the customer needs and satisfying them.

#### **3. Influence factors of security solutions**

Aside from the evolution of the complexity and intensity of the threats on the one hand and the technological development on the other hand, there are other some economical resorts on which the transition to the security solution is based. Two of these are the labor costs and maybe the most important the evolution of the medium price of the security equipment. These two components direct us in commercial, sales and business development terms to an acceptable price level of the security solutions, which allows to increase the sales volume maintaining and maybe setting higher the quality level.

##### **3.1. Labor – Costs and evolution**

Labor is a very important and major component in man guarding services. Thereby, the labor costs

have a major weight in the fee for these services.

To analyze this we will consider the values provided by Eurostat for the medium hourly salary in the past ten years from six European Union countries.

We considered six European Union countries relatively symmetrically distributed on European Union territory.

Country/year	2004	2008	2012	2013	2014
Romania	1,90	4,20	4,10	4,40	4,60
Bulgaria	1,60	2,60	3,40	3,70	3,80
Germany	26,80	27,90	30,50	31,00	31,40
United Kingdom	21,50	20,90	21,70	20,90	22,30
Italy	22,40	25,20	27,70	28,10	28,30
Finland	24,40	27,10	31,30	31,90	32,30

**Table 1. Labor costs per hour in EUR, 2004-2014 whole economy excluding agriculture and public administration**

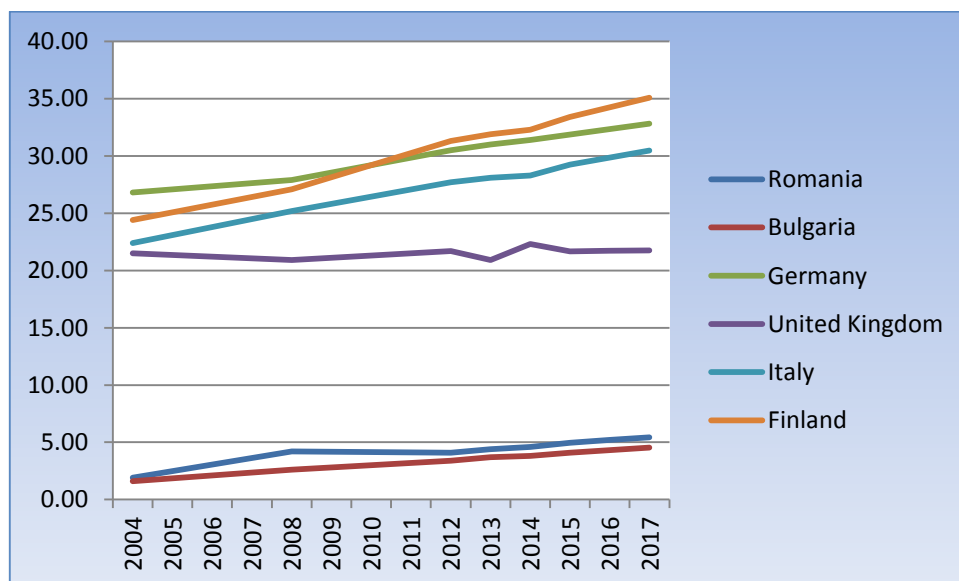
Source: Eurostat, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Hourly\\_labour\\_costs](http://ec.europa.eu/eurostat/statistics-explained/index.php/Hourly_labour_costs)

Using linear regression, we estimated the values for the next three years, for 2015, 2016 and 2017 for these six countries. The results are:

Country/year	2015	2016	2017
Romania	4,97	5,20	5,44
Bulgaria	4,09	4,31	4,53
Germany	31,86	32,34	32,83
United Kingdom	21,67	21,72	21,76
Italy	29,25	29,86	30,47
Finland	33,41	34,25	35,08

**Table 2. Forecast for labor costs per hour in EUR, 2015-2017 whole economy excluding agriculture and public administration**

Graphically, the situation in the range 2004 – 2017 is as follows:



**Figure 3. Labor costs per hour in EUR, 2004-2014 whole economy excluding agriculture and public administration and forecast for 2015 - 2017**

Source: Eurostat, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Hourly\\_labour\\_costs](http://ec.europa.eu/eurostat/statistics-explained/index.php/Hourly_labour_costs)

From data analysis for range 2004 – 2014 and from the forecast for range 2015 – 2017 we have a

clear ascending trend for hourly labor costs in European Union.

Country	Net increase historical data	Average increase	Net increase forecast data	Average increase
Romania	242,11%	159,87%	312,25%	181,21%
Bulgaria	237,50%		279,20%	
Germany	117,16%		120,14%	
United Kingdom	103,72%		99,49%	
Italy	126,34%		135,37%	
Finland	132,38%		140,83%	

*Table 3. Net increase for 2004 – 2014 and for 2004 - 2017*

Thus, for range 2004 – 2014 we have an average increase of more than 150% of hourly labor costs in European Union, respectively 159,87%, and for range 2004 – 2017 (the forecast for three years) we have a forecast increase of more than 180%, respectively 181,21%.

In these terms, from an economic standpoint, the security services based on man guarding (services with a major component based on labor costs) do not represent anymore a viable option, because of their ascending price trend.

### **3.2. Security equipment – costs and evolution**

In the electronic security equipment case is difficult to make a comparison in time. The factors which determine the price level are objective and subjective. Among the objective factors we can mention the technological functions included, functions that are the result of the research and development activity, a very expensive activity. Among the subjective factors we can mention the brand under which the products are manufactured and distributed, factor that can sometimes multiply for several time the price.

For all that, the clear trend is of falling prices, in parallel with the increase of functions and technical complexity.

We take as an example a Digital Video Recorder, the central element of any analogical video (CCTV). In 2009 – 2010, a DVR was on market around 900 USD – 1000 USD, given that we talk about a simple equipment, PC based, and between 450 USD – 500 USD if we talk about a hybrid device. Today, a similar product is under 200 USD. So, on relative similar products, we have differences of hundred percentages, differences that if are amplified at some big systems level goes to thousand or tens of thousands of USD or UERO.

In opposition with the trend recorded in the labor cost situation, the medium price of the electronic security systems in descending on ascending quality levels.

### **4. Directions to follow for the Business Development activity in security industry**

From what we saw above we can highlight the fact that security systems market is on an technological ascending trend, supported in parallel with a continue price drop. Opposite, the labor market that influence the man guarding market is increasing from the costs standpoint, given that the quality of services remains relative constant.

These divergent trends sustain the way that security industry continues to evolve now. The passing of the man guarding to the technology area makes the service to be released by a series of costs that do not reflect a high quality.

Graphically, choosing a security solution to the detriment of the classical man guarding or electronic security systems can be presented this way:

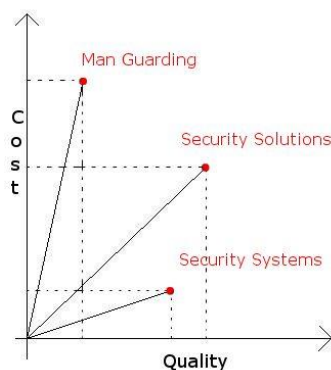


Figure 4. Man guarding versus Security Systems versus Security Solutions

Companies providing services in this field must take into consideration these aspects and must focus their efforts on the integration of the technological components into the solutions provided to their clients or potential clients. This fact will conduct to a durable and sustainable growth of their activity, in concordance with the technological trends and the economical influences from this area.

## 5. Conclusions

From all this from above we can first conclude that the orientation to Security Solutions for the Security Industry is in the first place a general business strategy, which then become a direction for Business Development. Is in fact the base on which we build and organize the rest of the activities, as is the Business Development activity.

The main conclusion regarding the Business Development activity for the Security Industry is that the focus at this moment must be on technology and their integration with classical services like man guarding. A Business Development activity focused on Security Solutions can relieve the handicap of still high prices (and which will be also in future high) of man guarding, having also the financial and operational advantages provided by technology.

Another big advantage brought to the Business Development activity, going on the previous mentioned solution, is the increasing capability of taking big and complex projects, like critical infrastructure networks or multinational companies with international activities. The classical way of providing security is very difficult and sometimes impossible for this kind of projects. But now, any company which is focused on technology can approach more easily these kinds of big projects.

Efectele de mai sus trebuie sa fie vazute cu impact atat pe partea comerciala si de promovare cat si pe cea de reorganizare a structurii si a fluxurilor de activitati ale companiilor de profil, acestea fiind obligate ca de acum incolo sa isi contureze distinct si o component de tehnologie.

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