



## PRESS STATEMENT

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### Gold Digger Mood or Impending Danger? Changes in the Safety Technology Industry

[18 July 2011] The global market for safety technology is experiencing a Golden Age in the military, as well as in the civil area. It is expected to grow by more than 7 percent per year from the current approx. 59 Bn Euro to more than 73 Bn in 2014. This boom will lead to massive changes to the structure of this previously solidly structured industry; an entirely new competitive environment is created. Where different market mechanics previously led to clear borders between the military/paramilitary and civil areas, they are now dissolved by industry-insiders, as well as increasingly by actors outside of the industry; previously applicable rules are rendered ineffective. The market is resorted. In some areas, market shares are redistributed entirely. Concentration and consolidation trends will increase a lot. By 2015, this trend could lead to the loss of 20 percent of all suppliers. This is the conclusion of the industry experts of Munich corporate consulting Dr. Wieselhuber & Partner (W&P).

The consultants believe that there are diverse reasons for the continuing increase in safety-technology investments; they are carried by current social mega trends: latent terror risk increases the safety needs of the citizens as well as globally increasing migration, which promotes demand in surveillance systems mainly along the Southern and Eastern borders of Europe. Then there are trends that are not connected to safety technology on first glance: the continuing urbanisation is one accelerating factor, leading to entirely new demands to control and information systems of complex infrastructures; another is the growing traffic and transport volume that requires better safety and efficiency of the traffic grids and central traffic nodes.



All in all, the market and competition landscape will be subject to the following streams:

1. In future, the trend will go away from the previously common island solutions, and towards integrated overall systems and services (e.g. entire perimeter protection consisting of access control, video surveillance and safety communication, etc.). The strongest growth rates, at 7 to 15 percent, therefore are expected with country-specific differences for system integrators and highly specialised suppliers of high-tech components. Market polarisation will continue.
2. The established differentiation between system integrators and specialist component providers will be subjected to another change from a different side as well. Arms producers enter the civil market for safety technology, which will lead to a clear change of the balance between system integrators as well. Providers from the military area are now surging into new market segments that are attractive for them to secure a piece of the cake. Their advantage: they usually have comparatively strong resources and a high international degree of networking, providing them with best access to the future large projects.
3. On the other hand, component providers will concentrate on the lower end in the medium term. To avoid being displaced into the third or fourth link of the supply chain, stronger focus and closer contact to the system integrators is vital. Sustainability of companies unable to realign quickly enough will be endangered. Additionally, more and more competition via the established IT manufacturers is expected in the "low-price" market segment. By 2015, this trend may lead to a loss of 20 percent of all suppliers – at a healthy basic market growth.



This changed competitive environment poses great challenges in particular for medium-sized companies that were previously well positioned in the area of civil safety technology: If they do not want to fall pray to the market changes and defend against the new highly professional competition, they have to strive for clear and focussed positioning on the German and international security market.

*"Now companies need to make a decision and act pro-actively,"* says Dr. Peter Fey, industry expert at W&P. *"Those that stand out with a clear technical profile, differentiate their areas of application and customer groups clearly and focus consistently on certain industry segments can continue to participate in the enormous growth of this market."* Regarding the structural changes in the industry, however, the business model also has to be tested for suitability. Even from a currently market-leading position, one's own value-added structure must be continually critically reviewed under consideration of the competitive environment. Only those who do not rest on their previous success as a company will have the change to continue to contribute to the changing market.

Feel free to contact us if you have any questions.

#### **Short profile of Dr. Wieselhuber & Partner**

Dr. Wieselhuber & Partner (W&P) is an independent, cross-sectoral top management consultancy for family businesses as well as public institutions. Through this consistent target group orientation and the resulting competence, W&P became the leading management consultancy for family businesses and the public sector in Germany over the past 20 years. With offices in Munich, Düsseldorf and Hamburg, Dr. Wieselhuber & Partner offers his customers an extensive expertise in various sectors and methods and is mainly characterised by its competence in the interplay between family, management and company.

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