

2015

HLS Market: Supply-Side & Demand-Side Analysis



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1 Homeland Security & Public Safety Industry

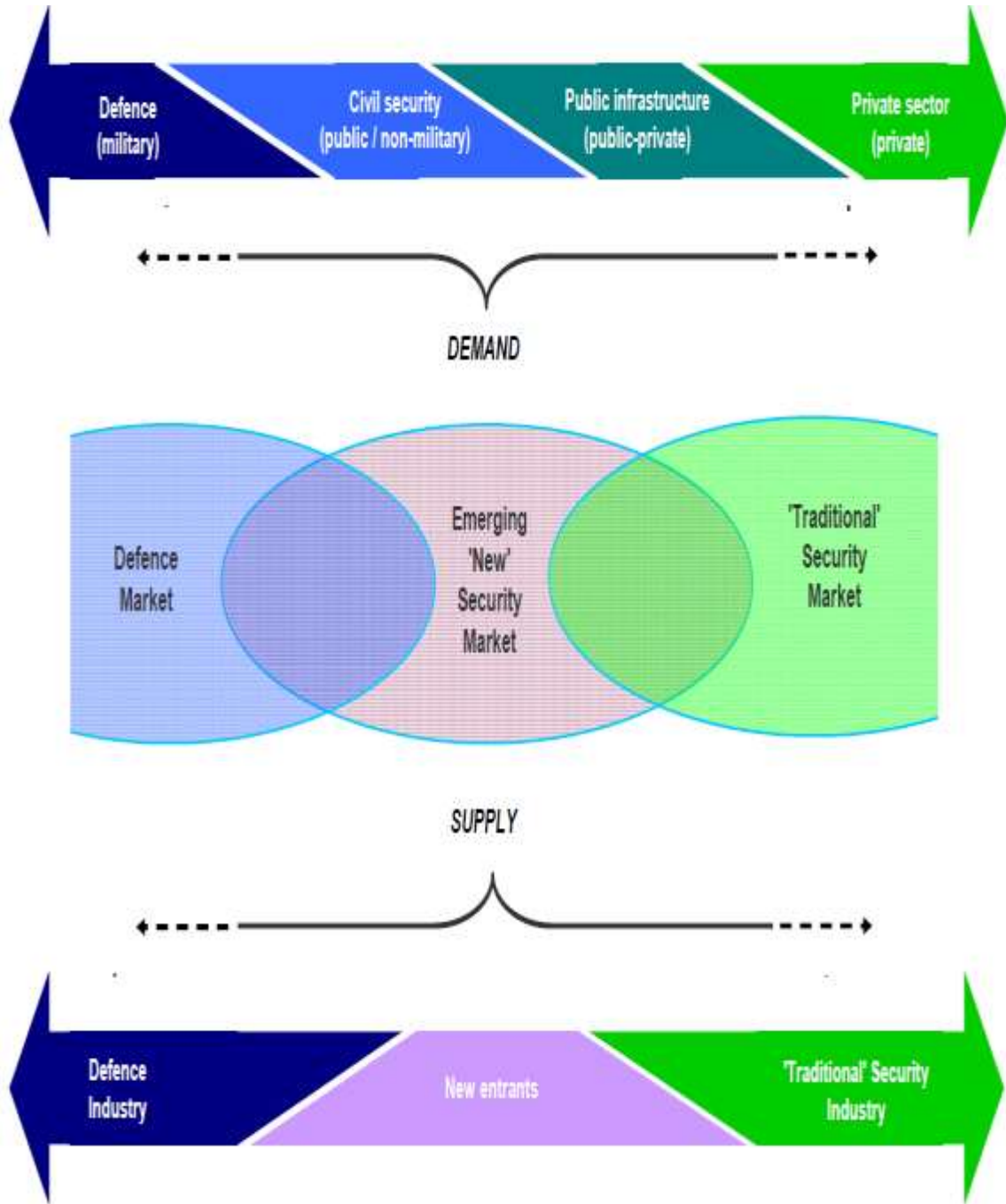
1.1 The Industry Supply-Side & Demand-Side Analysis

In terms of a general categorization of demand-side security 'responsibilities' two distinctions have been made: first between 'external' and 'internal' security dimensions and second between 'civil' and 'private' security responsibilities. These have been translated into four demand segments:

1. Defense (military) support for internal security: e.g. support in the event of a major crisis incident
2. Civil security (i.e. public sector non-military administrations): e.g. counter terrorism, law enforcement, civil order, emergency response
3. Mixed public-private sector security: e.g., critical infrastructure and utilities
4. Private sector security

From the HLS & PS industry supply-side perspective, three main segments of the HLS & public safety industry are identified below:

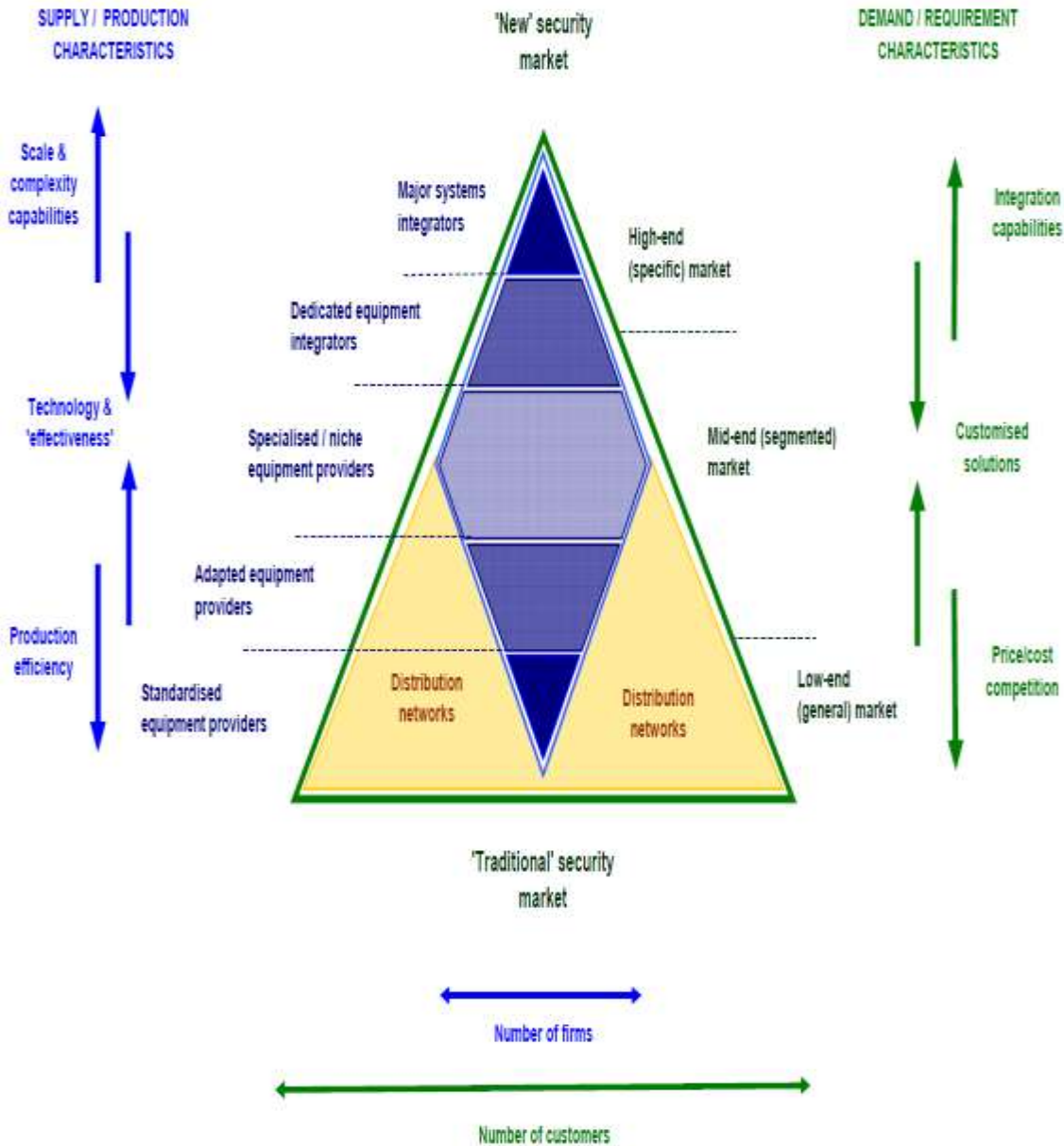
Figure 1 - Homeland Security & Public Safety Marketplace: Supply & Demand Relationship



(Source: The E.C.)

- ❑ With advanced security during natural disasters, crime & terror threats and priorities, the HLS & public safety industry cannot be considered as a mature industry having developed largely over the last twelve years. Consequently, it is not yet well-structured and often clear distinctions cannot be made between for example, the security and defense industries or between “traditional” and “advanced” security sectors.
- ❑ Notwithstanding the lack of maturity and clear structure of the industry, it is possible to provide a general characterization of supply (and demand) of security equipment and systems as shown in the figure below. In terms of the general structure of supply, this is strongly influenced by the structure and characteristics of demand combined with the overall regulatory environment which contributes to creating an environment in which there can be very high barriers to market entry, particularly at the ‘high-end’ of the ‘advanced’ HLS & Public Safety market. These barriers relate notably to:
 - High investment costs associated with technology development and also with the transition from technology development to placing a product on the market
 - High costs associated with securing markets (e.g. lobbying, marketing, commercial diplomacy). An important aspect to this is related to needs to ‘educate’ clients on technological possibilities and choices.
 - A consequence of the high barriers to market entry is that SMEs typically play only a limited role in the HLS & Public Safety market and are often restricted to highly specialized ‘niche’ segments. Where SMEs are able to successfully develop innovative technologies, it is usually the case that – as a result of the high barriers to entry noted above – they tend to license this technology to larger players (e.g. dedicated equipment integrators) rather than try to enter markets independently; alternatively they may simply be acquired by such players.
 - In addition to the barriers noted above, there are a number of trends shaping and structuring demand for security equipment and systems that are leading to larger and more integrated security contracts / projects. Such developments would appear to strengthen the position of the major systems integrators (vis-à-vis dedicated equipment integrators) whose strengths lie in ensuring the effective integration of different security systems and customizing security systems to meet client requirements. A possible consequence in the longer run could be further consolidation in the future among dedicated security equipment and sub-systems providers.

Figure 2 - HLS & PS Segments Products by Supply and Demand



(Source: The E.U.)

A variety of underlying factors contribute to shaping the market (demand) – and in turn the industrial structure of supply – within the HLS & public safety sector, of which the following may be noted:

- ❑ Demand side concentration: Many markets for high-end HLS & Public Safety equipment are characterized by a relatively restricted number of customers with specific performance requirements either for different market segments or for individual customers.
- ❑ Demand side fragmentation: Many markets are fragmented due to a lack of transferability of systems across market segments. This fragmentation may be geographical (e.g. as a result of different national the HLS & Public Safety approaches, regulations and standards) or by type of user (e.g. as a result of different equipment/operating standards across client segments). This may be reinforced by a lack of coordination across the HLS & Public Safety domains leading to even smaller market segments.
- ❑ Demand side lack of awareness: While the defense sector which is much older and well-structured is characterized by high levels of knowledge and understanding of technologies among customers (i.e. military, defense ministries), the corresponding levels in the civil sector – which can be characterized by a wide diversity of customers (e.g. ministries, agencies, operators, private companies) – is often seen to be lower. This can be partly attributed to the relative ‘infancy’ of the civil HLS & Public Safety market. Nonetheless, the high degree of complexity associated with ‘high end’ HLS & Public Safety solutions and the asymmetric level of knowledge between providers and customers is identified as a cause of delay in procurement procedures and a major factor in ‘incorrect’ or ‘inappropriate’ procurement decisions.
- ❑ Supply side lack of awareness: Representatives of the HLS & public safety industry and other stakeholders argue that globally there is insufficient clarity in public policy making, with respect to the HLS & public safety; more generally, a lack of information on the expectations and requirements of users (and/or those setting the HLS & public safety regulations) of the HLS & public safety equipment and systems.

More information can be found at:

[Global Homeland Security & Public Safety Market - 2015-2022](#)