SURVEY REPORT

THE COST OF PRIVATE SECURITY SERVICES IN SOUTH AFRICA

RESEARCH AND DEVELOPMENT UNIT

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1.1 Introduction

In South Africa the private security industry comprises of services provided and regulated, in line with the Private Security Industry Regulation Act 56 of 2001 (the Act). The Private Security Industry Regulatory Authority (PSIRA) was established in terms of section 2 of the Act. The primary objects of the Private Security Industry Regulatory Authority (PSIRA) are to regulate the private security industry and to exercise effective control over the practice of the occupation of security service provider in the public and national interest and the interest of the private security industry itself.

The PSIRA Research and Development Unit conducted the survey below pursuant to the 2016/2017 strategic objectives of the Authority that aims to foment industry stewardship and develop customer relationships. The survey entailed an assessment of the perceptions of consumers of private security services. The survey focused on the cost of private security services in South Africa.

The aim of the consumer survey was to assess the perceptions of end-users of private security services, with regard to the private security industry as a whole and their respective private security providers in particular. This should contribute to a greater understanding of the end-users of private security services, in the context of enhancing greater compliance to PSIRA's regulations. This is also anticipated to illuminate the role that the consumer plays being complicit in non-compliance of private security providers.

A 2012 Organisation for Economic Cooperation and Development (OECD) report on regulatory performance states that 'people having significant experience with regulations exhibit a more balanced view of regulation, acknowledging costs and benefits, while those with less experience had less understanding and more polarised opinions.' This it was noted may be explained by the fact that low awareness of regulation is linked to "an emotional rather than rational response to regulation." This viewpoint supports the basis for the consumer surveys that were undertaken.

1.2 Methodology and sample

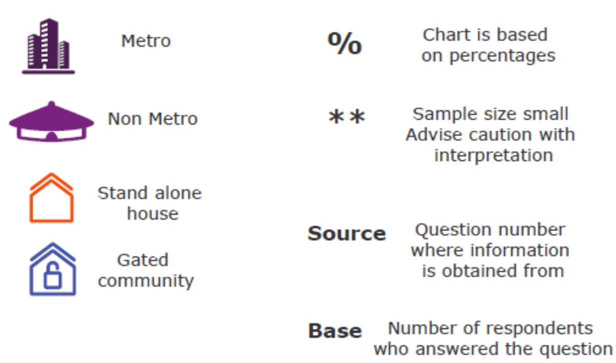
The survey 'The Cost of Private Security Services in South Africa' was outsourced to TNS Global a leading expert in research surveys. This was done in conjunction with the survey titled 'Training Standards of Private Security Services in South Africa,' two separate questionnaires were developed by PSIRA's Research and Development unit. These were later merged into one main questionnaire in an effort to ensure a concise delivery for the respondents, with regards to time which has an effect on the respondent's potential participation.

The objectives were similar for both surveys, which was to assess the overall awareness of PSIRA and awareness of private security regulation. The design of the survey was such that findings of demographics, screening, and awareness were significant to both surveys. However, in the context of understanding security purchase decision making, the design and questionnaire was tailored to assess security service usage and attitudes, as well as security service rates. The sample used was applicable in both contexts and took into consideration the province where the respondent resided, if the area being surveyed was a metro or a non-metro, the household size and if the household was a stand-alone house or one in a gated community.

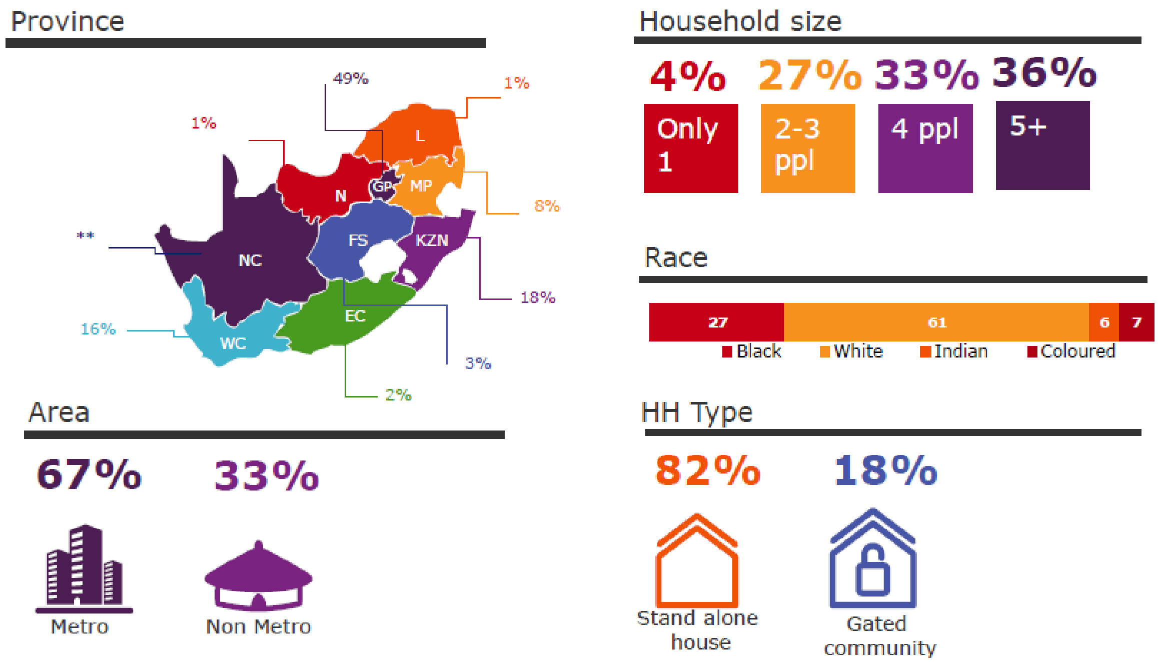
Outsourcing the R&D's survey function for the survey was prompted by the poor response from consumers of private security services as previously established when done through the monkey survey platform. Furthermore, PSIRA's R&D has inadequate access to the wider consumer market of private security services. The company procured was expected to have experience in doing market related surveys and have access to the relevant consumer markets for example, homeowners and housing associations.

A random sampling method was used to determine prospective participants; those that were willing to participate were surveyed, being mindful of the fact that no coercion was used to make consumers participate in the survey. The sample achieved was n=267 and field work was carried out between the 18th of March and 13th of April 2016. Computer assisted telephone interviewing (CATI) facilitated the interface with the consumers. The design of the survey entailed screening security service rates and demographics. The concession is made that 'given the small size, the opportunity for depth analysis is limited, for example, the fallout of respondents by region leaves us with only one respondent in the Northern Cape; too few to be able to draw any valuable insights.'

Glossary of icons/symbols



What our sample looks like



1.3 Rationale

The survey main aim was to identify and close critical gaps in knowledge as they relate to the consumers of private security services. Analyzing consumer's knowledge of legislation related to this sector, their decision making triggers and the purpose of the Authority is considered a vital element of understanding the private security industry in South Africa. Understanding demographics of consumers of private security services e.g. ethnicity, geography, may be a key factor in assessing to what extent consumer's play in perpetuating non-compliance of private security companies, through their ignorance/apathy.

The survey will form an important step in establishing the role that consumers of the private security industry and the industry itself play in promoting or hindering compliance to the Private Security Industry Regulatory Act 56 of 2001, and other relevant legislation intended to regulate the private security industry. It is anticipated that understanding the market for private security services will help engender a different perspective to the approach and efforts of the Authority to root out non-compliance in the private security industry.

Hence the objectives of the survey are to understand consumers perception regarding;

Security purchase decision making process

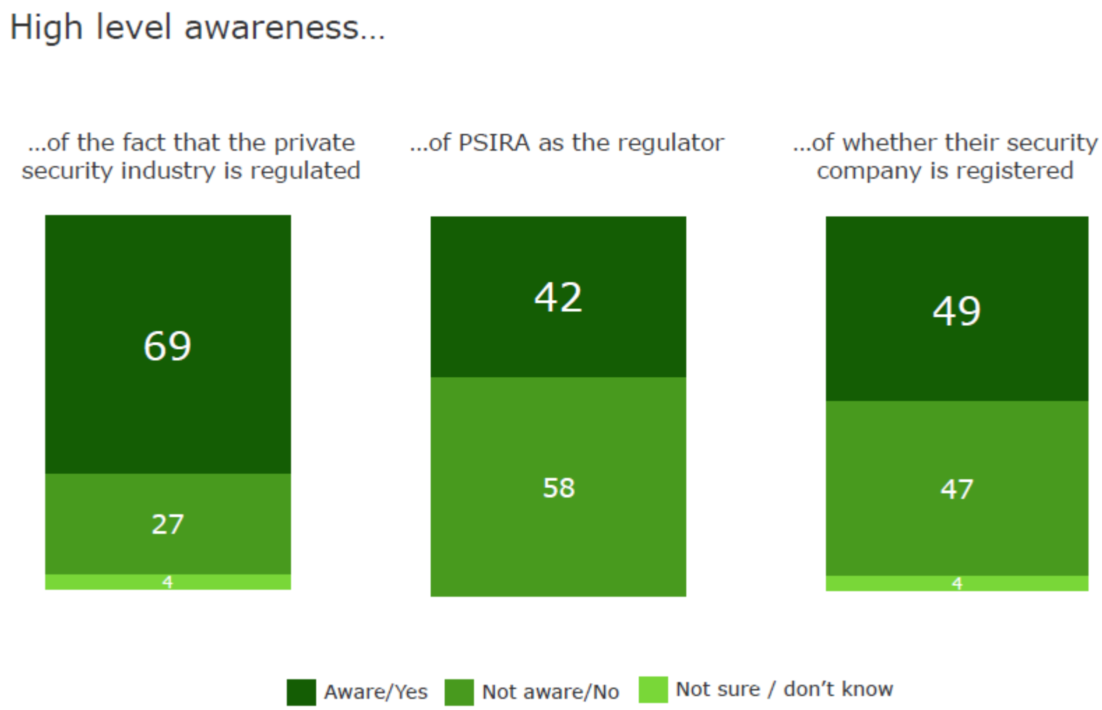
- Identify Decision making triggers
- Identify brands in consideration set
- Determine switching triggers

Understanding awareness of PSIRA and the key dynamics of the private security market

The Private Security Industry Regulatory Authority's (PSIRA) is the effective promotion and regulation of the private security industry.

In order for it to operate and prioritise effectively, its important to understand awareness, understanding, behaviour and dynamics involving the private security industry and its regulation.

1.4 Awareness and attitude towards PSIRA

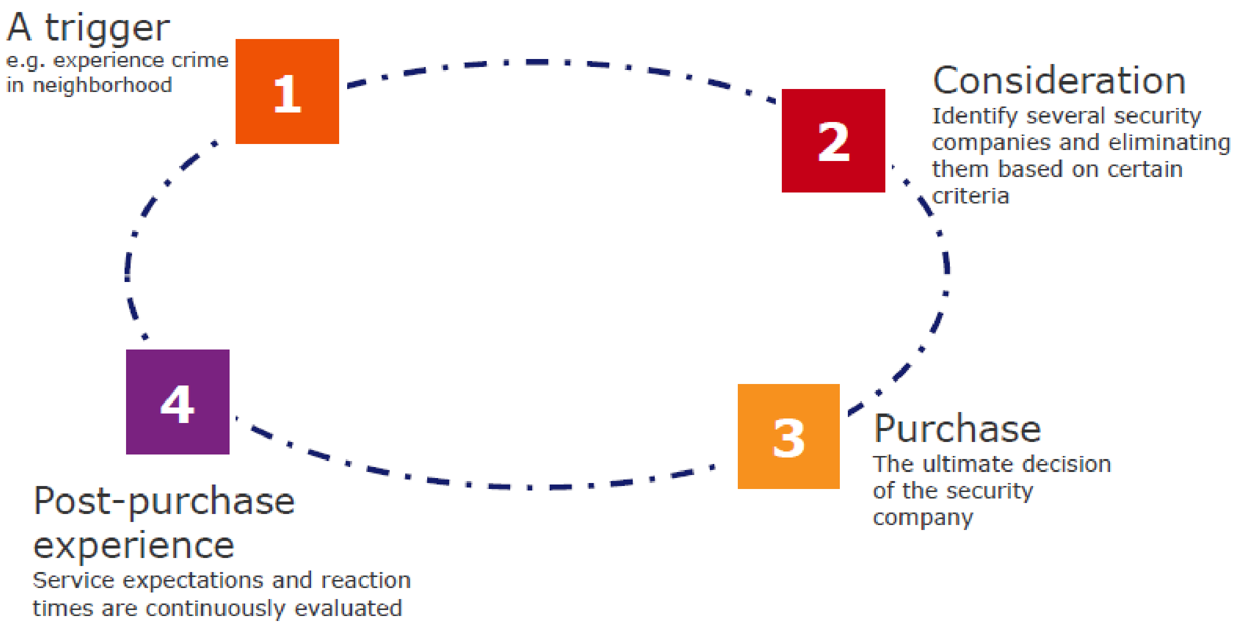


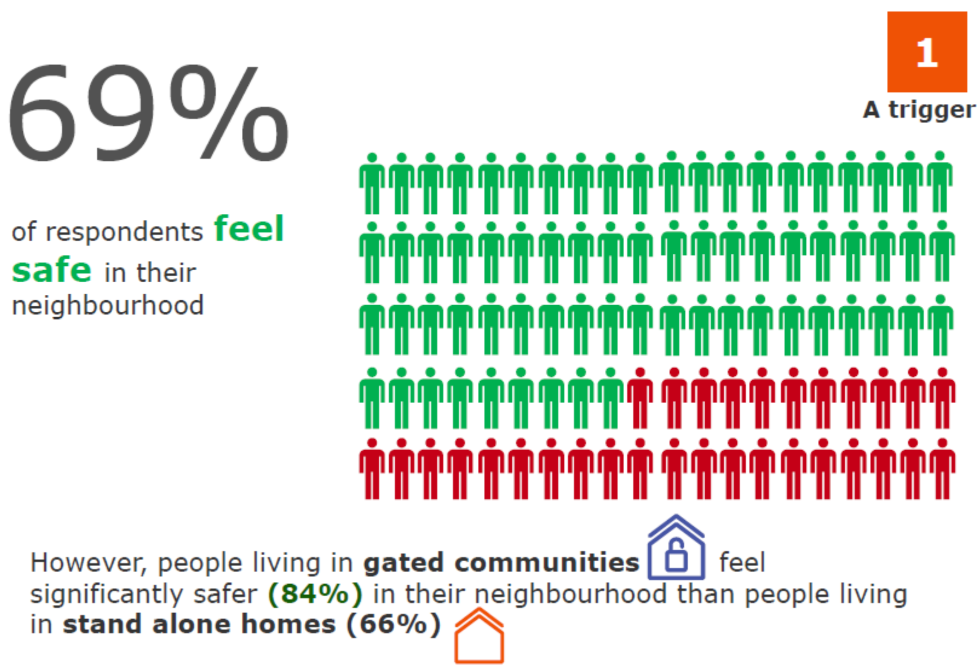
The TNS survey observed no significant differences when comparing awareness between demographics and security profiles. However, awareness that the security industry is regulated in Gauteng province was found to be 77 percent higher than in other regions. Of those aware that the industry is regulated 94 percent are aware of PSIRA, and 87 percent know whether their service provider is registered. It was noted that the longer people have held a security contract, the more likely they are to know that the industry is regulated, and have heard of PSIRA.

There was a noticeable drop off from 'awareness of regulation' to 'awareness of PSIRA' across all metrics which is to be expected. The observation was made that awareness of security companies' registration with PSIRA is higher in Gauteng, but only at 54 percent. Furthermore, only half of the people who have had a contract for two years or more say that their security company is registered with PSIRA and security companies that maintained gated communities are more likely to be registered with PSIRA that those who maintain standalone houses.

1.5 Home Security Decision Making Process

Survey results revealed that traditionally the decision making process was viewed to be linear; brands were narrowed down until one was chosen and respondents were loyal to this brand. Now this process is more circular including the post purchase experience which informs consumer's choice to stay or go with a new provider who might offer them better 'peace of mind.'

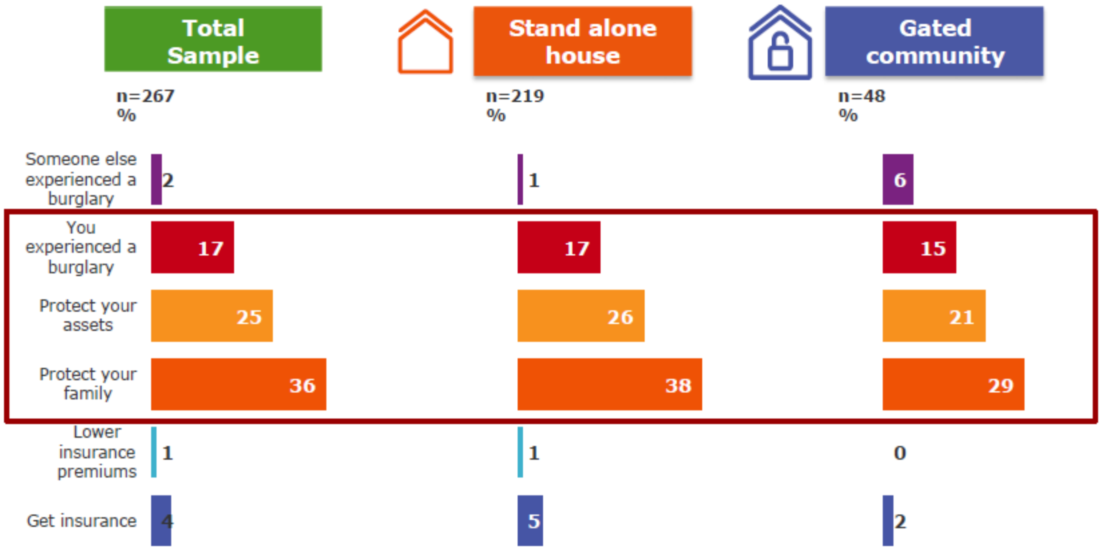




Motivations for acquiring insurance has a strong emotional and protective connotation, instead of functional reasons. Those who live in stand alone houses are slightly more likely to feel that way compared to those living in gated communities

1

A trigger



According to TNS over 80 security companies were identified in the survey, thus making consumers' consideration set immense

According to this report SA has the 7th largest private sector in the world

Boots on the ground

According to a PSIRA document compiled for a 2013 workshop on guarding and security the South African private security industry is "considered one of the largest in the world". A spokesman for the organisation, Mpho Mofikoe, said today that their most recent research did not show that South Africa had the largest security industry int he world.

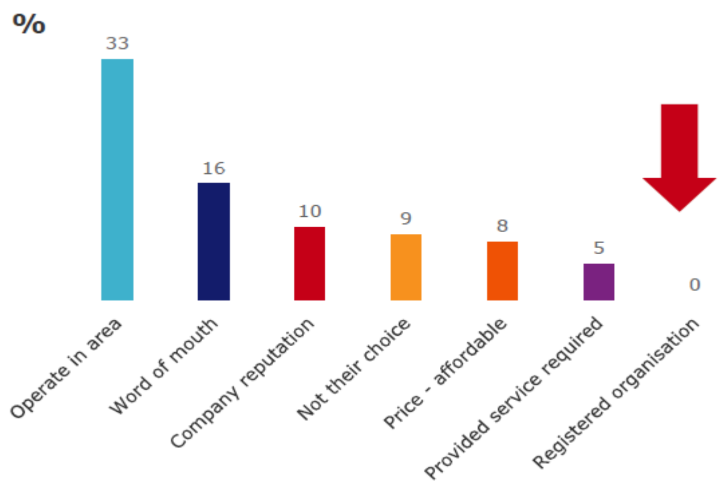
PSIRA's 2013/14 annual report shows that out of 1,868,398 registered security officers in South Africa 487,058 were classified as active. This includes people employed in security, active guarding, cash-in-transit and armed response businesses.

By comparison, the South African Police Service employs 194,852 people, of whom 103,746 are employed in visible policing and 6,331 are employed in protection and security services.

Choice of security company was driven by whether the "*company operates in their area*" more than anything else, followed by "*word of mouth*"

2

Consideration



The choice of security company is not driven by whether the company is registered or not

Checking whether a company is registered is part of consumer information available, however from consumer feedback this is not a top of mind concern when choosing a security company

2

Consideration

Make an informed decision when choosing a security a security provider

Making the right choice means making an informed choice.

January 3, 2016

This is an example of consumer information which first advice to consumers include whether the company is registered at PSIRA

Whether you are a small business owner or a homeowner, choosing a private security provider is an important decision, maybe one of the biggest decisions you can make. Making the right choice means making an informed decision, yet the average consumer knows little about the governing bodies and rules of this industry.

Mike Kidson, managing director of ADT Northern 1 region, said the private security industry was in fact highly regulated and controlled: "Most of the country's larger private security companies do conform to stipulations. By being regulated, our rights as a service provider as well as those of our customers are protected and the regulations assist with maintaining a high service standard in the industry," he said.

Kidson offered some useful guidelines to help you make the right choice when choosing a private security provider:

– All security service providers have to be registered with the Private Security Industry Regulatory Authority (PSIRA). A registration certificate to this effect must be made available on your request.

– All employees providing a security service need to be registered with PSIRA. Registration certificates as well as the last PSIRA audit inspection report must be made available on your request.

– Training is an absolute necessity and it is important that the provide a security service are in possession of the necessary tr accredited training establishments.

– Registered reputable companies will also all pay their staff at least the minimum statutory wage applicable in terms of Sectoral Determination 6 for the private security industry issued by the minister of labour. This industry has low barriers to entry and employees can be exploited at times by unscrupulous employers.

– All security officers are required to be members of a provident fund and the company must contribute 6.5% of their income to the fund and the employees contribute 6.5% of their salary to the fund. Ensure your security service provider can produce a letter of good standing from its provident fund administrator.

– You also need to check if the company you select has a code of conduct which supports the statutory code of conduct applicable to all securityr service providers. This is an important protection for you as a consumer.

– Finally it is important to check your security provider runs a legitimate business. Confirm whether the security business registers for tax and that they can provide their tax clearance certificate and up-to-date contribution.

Despite price not being the most important in consumer's consideration set, most indicated that the price point must fit their needs and budget

2

Consideration

75%

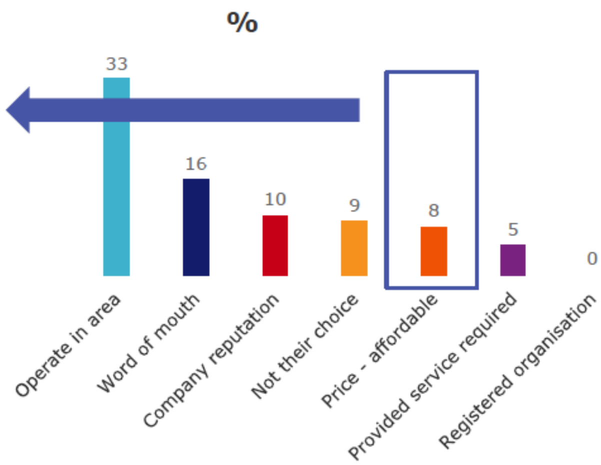
The price must be specific to their needs and budget

15%

No price is too much for your household's security

10%

You would prefer the cheapest available option



Once all the above is taken into account the final decision is made…

3

Purchase

… from here the service consumers receive is used as a basis for future decisions.

It particularly involves decision to switch!

Poor service is the main reason for changing security. Price is key driver for very few people

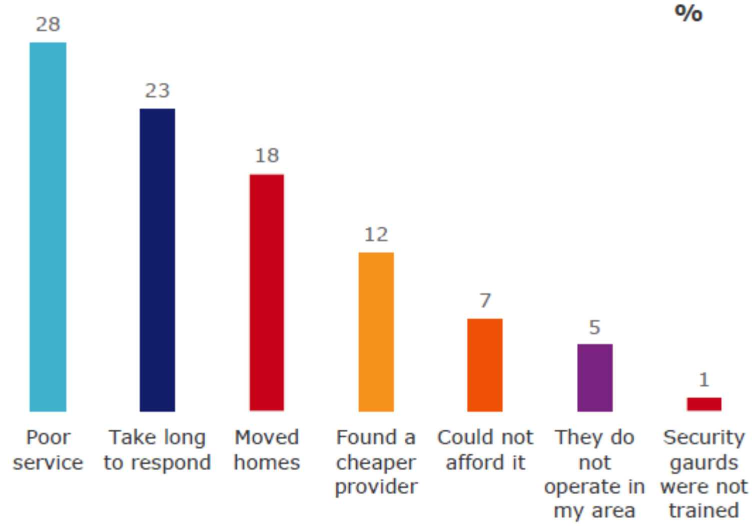
4

Post-purchase

n=74
%

28%

Of respondents have changed their security previously



The survey results indicated that with regard to interaction with current security company, there was an overall satisfaction with respondent's security service provider.

92% of people are satisfied with the overall services provided by their security company.

However, for people whose security companies aren't registered with PSIRA, satisfaction drops to 70%

No significant decrease in satisfaction rating from people who have experienced crime in the last 12 months

1.6 Conclusion

Understanding and improving the perception of the regulatory environment matters to performance. Positive perceptions of regulations can promote respect for and compliance with regulations. The consumer surveys will help provide information on the level of awareness and confidence in regulatory performance as a diagnostic tool to identify areas of concern to businesses in order to inform future regulatory reforms.

Consumer surveys are a vital part of a give-and-take communication approach with consumers. They can serve as a means to communicate consumer views, and as a basis for dialogue that can lead to rich exchanges between the regulator and the consumers on a variety of issues related to regulatory performance and its improvement. This is intended to contribute to a greater understanding of the consumers of private security services, in the context of enhancing greater compliance to PSIRA's regulations. This is based on the theory that understanding and improving the perception of the regulatory environment matters to performance.

The TNS survey revealed that consumers are aware that the security industry is regulated, but that they do not see value in it and so are not motivated to ensure that their current company is registered. It was uncovered that there was a lot of information available about the importance of the regulation of security companies, however this was not a key driver in respondent's decision making process of which security company to contract. TNS underscored that the aim of communication is not awareness, but rather the value and importance of having regulation in this, therefore PSIRA needs to educate consumers on the benefits of having a registered security company and the risks attached to non-compliance.

Survey findings are intended to inform approaches to regulation and also understand how South African citizens perceive private security actors. This will also inform policy processes within PSIRA and thus the way in which we regulate the private security industry.

1.7 Reference

OECD (2012), Measuring Regulatory Performance: A Practitioner's Guide to Perception Surveys, OECD Publishing. Available at: http://dx.doi.org/10.1787/9789264167179-en (accessed 06 May 2016).