



ARMORING THE CIVILIAN

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The increasing security challenges arising out of the rise in crime rate and insurgent activities has changed the market dynamics for the civilian armored vehicle market. In the past where armored cars were solely used by ministers of states, diplomats, cash-in transit and law enforcement agencies; today the market is witnessing larger number of orders by high profile corporate users, high-net-worth individual (HNWI), and celebrities. The drift is due to the rising fear of personal safety amongst the civilians. Armored cars are gaining increased popularity with a number of public figures and elite group opting for armored cars for a greater sense of security. The use of commercial armored vehicle has increased approximately by 70% in the last decade, creating a large market for the car makers operating in this market. In 2014, the civilian armored vehicle market volume was recorded at 28,000 units with a growth rate of 18% over 2013.

LEVEL OF PROTECTION

A civilian armored vehicle features a wrapped passenger compartment with ballistic reinforcement around the body. It is similar to a normal vehicle. However the doors and pillars are made of galvanized stainless steel plates with a combination of composites. The floor and ceiling of the vehicle is covered with a ballistic fabric lining, the glass is replaced by a thick bullet proof glass, and the tires are exchanged with composite run-flat tires. The objective of the armored car is to provide safety to the passengers from all kinds of attacks.

Armored vehicles are rated using internationally recognized standards namely, American Standard (NIJ Standard 0108) and Euronorm Standard. The most common standard is the Euronorm standard that classifies the protection level in armored vehicles on the basis of B3, B4, B6, and B7. The vehicles that

conform to B3 and B4 standard, offer protection from handgun attacks with caliber up to .44 Magnums. Vehicles offering B6 and B7 level protection can withstand attacks from assault rifles, 30.06 Armor Piercing (AP), and hand grenades. These vehicles are made of hardened steel coated with a strong synthetic fiber, such as aramid and an extra-thick bullet-proof glass that cracks outward against the attacker.

The selection of the ballistic steel, fabric, and glass being used is distinguished on the level of protection being offered by the armoring. Also, the price of armored vehicle varies with the level of protection and the type of manufacturers opted such as the OEMs or retrofit manufacturers. An OEM manufactured B6 rating armored vehicle's price is approximately \$1.27 million more as compared to a non-armored variant. On the contrary, the retrofit manufacturers offer a similar vehicle at a much reduced price of around \$50,000 plus the cost of the base vehicle.

REGIONAL ANALYSIS

The region holding the largest market share for the commercial armored vehicle market includes Latin America and Europe which comprises of 45% and 30% market share respectively in 2014. Additionally, the highest demand for these vehicles comes from Africa, the Middle East, and Asia. In the next decade, countries including Iraq, Syria, and Egypt are set to witness a rise in demand for armored vehicles majorly from the HNI's and NGO's of the countries above. Even with a high demand for armored vehicles, Africa holds a small market share of approximately 4% owing to the high cost of custom fees, numerous border crossings, and lack of integration of African economies.

The high growth trend for commercial armored vehicles globally is due to the increasing demand for these vehicles by the government officials, HNI and NGOs. However, due to the strict government rules and regulations on the procurement of the civilian armored vehicles in countries such as Pakistan and Afghanistan restrain the global market. For instance, in 2014, the sale of armored vehicle in Pakistan that was recorded to be 50 units per month in 2013, it

reduced to almost half. The unit sales drop was due to the new government policy according to which the civilians have to undergo stringent procedures for procuring armored vehicles. The change in the policy is to curb the illegal procurement of these vehicles by the terrorists and extremists groups. Similarly in Syria, Iran, and Libya the strict government policies for export and import of the armored vehicles are expected to reduce the demand. These policies restrict the import of any kind of armored vehicles.

On the contrary, countries such as Iraq, Jordan, Brazil and Yemen have more end-user friendly government policies. For example, in Brazil there is no government restriction for procurement of armored vehicle with B4 level protection. The armored vehicle market in these countries is expected to witness high demand for armored vehicles over the next two years. In 2015, Iraq is expected to increase the sale of armored vehicles to 1000 unit.

MARKET PLAYERS

The companies catering to commercial armored vehicles market are segmented into two categories, namely Retro-fit and Line-fit. The retro-fit market players include Striet Group, Centigon, IAG, Texas Armoring Corporation, Alpha Armoring and Jankel among others. The most popular retrofit armored vehicle is the Toyota Land Cruiser. In the past few years, the retrofit armoring has seen a significant increase in the number of market players, mostly in the Middle-East region. Dubai has witnessed the entry of more than 100 retrofit market players in the last five years.

The Line-fit market players include major car manufacturers such as Volkswagen AG, Daimler AG, BMW and Ford Motor Co. who have their own protected vehicle variants and sell around 12,000 armored vehicles per year. Owing to the rise in demand for armored vehicles, the OEM's are also expanding their armored vehicle portfolio. For example, the launch of Mercedes Pullman guard and the pre-launch of Jaguar Range Rover in 2015.

Majority of the market is held by the retro-fit players who cater to the law-enforcement agencies, NGO's,

and HNI's for whom the cost is a major deciding factor while the line-fit market largely serve the government officials and diplomats, whereas the key end users of line-fit market are government officials and diplomats.

END USERS

The end-users for commercial armored vehicles market include the government customers, NGO's, law enforcement agencies, corporate users and VIP's. The government customers comprise the Prime ministers, president, ministers of states, foreign and commonwealth officers, and diplomats who are the prime clientele for the line-fit segment. The Corporate users are from different industries such as oil & gas, construction, mining, and banking sector.

The suppliers of the market find varying end users in different regions owing the different policies and regulations and also to the different income trends in those regions. For instance, in the countries like the U.S. and U.K., the major procurement is by the bank officers, celebrities, and NGO's. On the other hand, the gulf regions have a customer base which includes the HNI's, NGOs, and corporate users from oil and gas, mining, and construction industry. The government officials opt for the B6 and B7 level of armoring whereas the rest of end users opt for the B4 level of armoring.

FUTURE OUTLOOK

The market for civilian armored vehicle has no single set of customers, about 25% of the customers procure vehicles to mitigate the actual threat and around 40% customer's base consists of people who wish to protect themselves against random armed violence. The remaining percentage is of the high profile individuals such as corporate user and civilian who are accustomed to increased level of security.

The outlook for the civilian armored vehicle market is more compelling than it has been in the last five years. The market will be triggered by the rising demand for armored vehicles in Africa and Arab nation due to the growing instability, rise in crime, and dwindling corruption. ■



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