TABLE OF CONTENTS

Preface vii

Part One Stepping Back: A Look at the Security Business 1

Chapter One Why Would You Contract Security Services? 3
Chapter Two Why Change Security Vendors? 7
Chapter Three The Behemoth, The Little Guy, and the "We Do Windows" Guy 11

Part Two Asking For It: Build an RFP That Works 17

Chapter Four Letter of Introduction 19
Chapter Five Non-Disclosure Agreement 23
Chapter Six Key Factors in the Scope of Work 27

Part Three In The Know: Critical Information to Give and Get 47

Chapter Seven The Question & Answer Session 49
Chapter Eight Vendor Tour of Your Facility 57
Chapter Nine Branch Visits and the Questions You Must Ask 61

Part Four The Real Deal: Get Value for the Right Price 87

Chapter Ten Preliminary Considerations for Pricing Guard Contracts 89
Chapter Eleven What Comprises the Cost of Security Services? 93
Chapter Twelve Commodity Versus Value-Based Contracting 109

Conclusion 119

Appendix A Branch Visit Discussion Checklist 123

Appendix B Security Contractor Questionnaire 125

Appendix C Scheduling Efficiency Comparison 127

Appendix D Vendor Bill Rate Itemization 129

Appendix E Vendor Bill Rate Itemization: Completed Sample 131

Appendix F Bill Rate Breakdown 133

Appendix G Sample Annualized Bill Rate Analysis 135

About the Author 137

PREFACE

By the end of 2004, the United States market for private contract security services expanded by eight percent to $37 billion. Additionally, the Fredonia Group predicts a $53 billion dollar market by the year 2009. While these numbers would signify a "healthy" sign of things to come in most industries, the revenue growth within private security does little to mask problems that have plagued the industry for years. The industry is still saddled with paltry living wages, minimum regulations on screening and training, and a corporate America that appears indifferent to the ensuing results. While corporate America continues down this path through increased pressure to cut operational expenses, the public has taken an active interest (through their lawmakers) within the travel industry. The general public clearly showed their displeasure with the airport security programs that had been in place. Through their lawmakers, the federalization of airport security screening has become a reality. This is one of the first times in history the general public has had an active part in driving for better training, pay, and ultimately, accountability for those operating in a security capacity.

While most people and organizations would agree that there is a need for security within their facilities, the actual value that security programs provide is widely disputed. Ultimately, the value of the program is too often narrowly based on the cost of the security vendor's services; this cost remains the easiest way to attach a tangible figure to the value each vendor is able to provide. Unfortunately, this method of valuation and the security industry's inability to communicate the overall value relative to program specific functions (e.g., cost avoidance through shrinkage reduction, recovery of stolen goods through investigations and restitution to the company) have contributed to the poor image that the industry still bears.

What is preventing the industry from gaining the respect it deserves, and recognition for total return on ivestment (ROI) contribution to the bottom line of companies everywhere? It is a direct result of a number of issues, but I will highlight here what I consider to be the key culprits.

COST CUTTING

Many procurement groups and security directors nationwide are tasked with reducing their overall operational expenses. This reduction in operational expenditures is being handled in a number of ways but it is often at the cost of the security officer working the site. A reduction in the number of hours per week contracted from the security vendor is the quickest and easiest way. However, this methodology is short-sighted and will prove more costly in the long run.

Outside of the obvious reduction in manpower and the corresponding value these positions offered the site, staffing reductions impact the morale of the remaining staff. It sends a conflicting message to those who are driving for the reductions; that the positions were not a necessity and that the business would not suffer financially without these positions. In essence, the positions are being valued on a one to one expense to profit ratio; for every dollar that can be cut with this approach, the company can factor in a dollar in additional profits. In later chapters, we will talk more about how staff reductions, solely for the purpose of meeting operational challenges, ultimately ***raise*** the cost of your hourly security coverage. For example, as unemployment claims go up (due to headcount reductions), so do the charges for State Unemployment Insurance (SUI) and unbilled overtime factors.

Something has to give when hourly bill rates are the only factors determining value for a client. More often than not, it is the security officer's wages, benefits or training that will be impacted to keep a vendor competitive. Once we begin lowering the security wages or benefits, less reputable and capable companies will bid on the projects. The project is then awarded to a sub-par security company and the commoditization cycle has begun. A constant push by companies for lower bill rates from the security supplier will also drive down wages if the process is not managed properly. In either case, lower wages will dissuade quality candidates from the security industry and will contribute to the poor perception of the industry.

LOWER VENDOR STANDARDS

The security vendors themselves, in some cases, may feel internal pressure to cut corners on certain aspects of their business (e.g., skimping on their vetting process, lowering overhead by reducing management costs, lower pay to their own employees) in order to lower their cost to the client. This can also have far-reaching effects on the quality of service to the client and can serve to lower the overall standards by which security companies operate. This type of competition simply drives lower standards across the board in the industry and further impacts the perception of the industry.

SHORT-TERM PROCUREMENT PERSPECTIVE

There are generally no consistent guidelines on how to "partner" with the vendor once the security program agreement is made. In many cases, procurement or another group (e.g., facilities, human resources, or finance) is tasked with selecting a security vendor but really does not have much performance or contract management accountability once the contract is signed. The security manager is then left to develop the relationship with a vendor who may not have been the appropriate choice to support the program. Or worse yet, the contract is now being managed by someone who is wearing many hats (i.e., Director of Facilities, Safety and Security Director) and does not have the experience or focus necessary to properly manage the relationship. This can lead to any number of performance and expectations issues, including a misunderstanding of expectations of what the actual vendor will be able to accomplish with the contract.

This book is designed to help you recognize characteristics of quality security providers through key performance indicators. It will also help companies gain a better understanding of which factors contribute to a vendor's overall rates charged to their clients. This book will help you learn what items need to be included in your Request for Proposal for Security Services, how to recognize each vendor's capabilities and potential shortcomings, and how to analyze a competitive pricing structure from security companies. While this book will not claim to solve all perception issues that exist in the industry, it will provide insight into how you can represent your company in getting the best security vendor for your particular needs. No one security company can solve all problems that companies currently face. However, a proper fit between vendor and company can provide for a successful partnership and result in significantly improved program value.