COI

Scoping the Private Investigators Market – Stakeholder Interviews Summary

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Background

The Security Industry Authority (SIA) is charged with licensing the population of UK private investigators. The licensing remit is broadly set out in Schedule 2 Part 1 section 4 of the PSIA and defines private investigation activities as 'surveillance, inquiries and investigations for the purpose of obtaining information about a particular person or about their activities or whereabouts and obtaining information about the circumstances in which or means by which property has been lost or damaged'.

In April 2010 COI Strategy & Planning conducted scoping work to understand the size and shape of the private investigation market to provide the SIA with an estimate of the number of licenses that are likely to be applied for and issued.

This was based on desk research and interviews with trade associations, and included the creation of an up to date database.

Building on this work, COI have since conducted interviews with a sample of private investigation firms, and this report outlines the key findings from these interviews. These interviews were conducted after the initial report due to the restrictions of the pre-election purdah period.

Objectives

The objective of the stakeholder interviews was to gain an understanding of the perceived market size of private investigation in the UK from those who work in the industry. Additional objectives were:

- Understanding of the shape of the market – which locations are hotspots for investigation and which areas of investigation are growing or shrinking
- Awareness of the proposed licensing of private investigators
- Perceptions of the proposed licensing scheme

Methodology

A cross section of private investigation companies was selected from the database to represent large and small organisations, and provide a geographical spread.

Short telephone interviews were conducted in June and covered three main areas:

- Organisation size and shape
- Perception of the size and shape of the market in the UK
- Understanding and opinions on proposed Licensing of Private Investigators

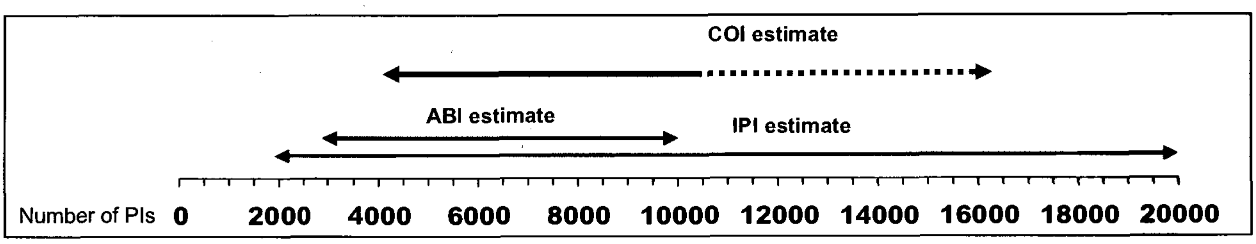
In total, seven interviews were completed from a total of 12 organisations contacted. Three organisations were unwilling to participate, and a further two did not respond to multiple contacts. A copy of the telephone script for arranging interviews and the discussion guide used can be found in the appendix of this report.

Summary of Initial Scoping

The full details of the initial scoping work conducted in April 2010 can be found in the presentation issued to the SIA. A brief summary of key findings is included in this section for context.

The initial scoping work conducted in April 2010 found 2986 private investigation organisations, with an estimated market size of 4400 – 10,000 private investigators, with potential to 17,000 investigators. These numbers were calculated based on the probable, possible and potential future assessment of the number of investigators each organisation hires.

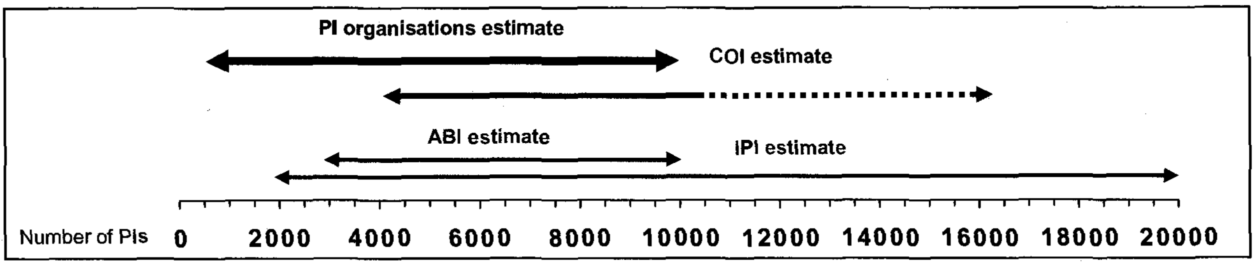
This sizing was in line with the trade association view, with the Association of British Investigators (ABI) estimating the total market of private investigators to be between 3000 and 10,000, while the Institute of Professional Investigators estimates it to be between 2000 and 20,000. These estimates are represented on the diagram below:



The largest number of the private investigation organisations found were in London and the South East, with other hubs in urban areas including Birmingham and Manchester.

Market Size

To understand the perception of market size, those in industry were asked how many investigators or investigation firms they thought were operating in the UK. Many respondents found this a difficult question to answer due to the diversity of individuals within the term 'private investigator'. Estimates provided ranged from 500 to 10,000, supporting the findings from desk research and the views of trade associations. This is represented on the diagram below:



Many based their estimate of market size on their knowledge as members of the ABI, or extrapolation from their understanding of the number of ABI members.

"The number that is bouncing around is 10,000. I'm a member of the ABI and that's the number that they would quote I think"

"I belong to the ABI and I know that there are 430 members, so I would guess nationwide there are 2000 to 2500 investigators"

"There are hundreds. The ABI has 400-500 members and that's not got them all. Probably thousands more than hundreds - a couple of thousand I would have thought"

In order to understand the size of the market in a different way, interviewees were also asked how many investigators they employ and what the average number employed by organisations similar to themselves might be. This led to a clear delineation between the large organisations and the smaller companies.

The large organisations interviewed have large numbers of staff who work on investigation, ranging from 35 to 350. These are all full time employees, and sub-contractors are used in addition to these, although the frequency of this varies and tends to be lower than for smaller companies.

In contrast the smaller organisations tended to have a very small number of permanent staff, often only 1 person, with the bulk of investigation work subcontracted out to freelance suppliers. One interviewee subcontracted out all investigation work and did not handle any themselves. These organisations tend to have ongoing relationships with a small network of freelancers, with the ability to sub-contract to a much wider group of investigators if necessary. No interviewees were able to give a figure for the average number of investigators per company, with most commenting that it would depend on the size of the firm, how well established they are, and what kind of jobs they get in any particular year. In terms of how many sub-contractors they use, the range mentioned was from 6-10 whom they had regular relationships with and up to 2500 in a database of sub-contractors one company can call upon.

"It's very difficult because [investigation firm] probably have 150 agents they can call, but then so could I if I needed them. They probably have at any one time 40 agents working everyday for them all over the UK, whereas I have three out there today. It depends on what work is going on and when and where it is"

"You have a pool of people that you know – in my case I just look at my contacts and phone around the people that I know"

"You don't know from one day to the next where the work is coming from, so you subcontract the work when it comes in, and pull in people who work on a paid for job basis"

Market Shape and Characteristics

The private investigation market in the UK is acknowledged by all respondents to be very diverse and disparate. This applies both to the type of people working in investigation and the kind of work being undertaken. Indeed, many felt uncomfortable with the label of 'private investigation' covering the breadth of areas that it does, due to these significant differences.

"There are an incredibly broad range of people operating under the broad banner of private investigation."

"The industry is everything from one man operating out of his car, bedroom or PO Box to huge PLCs and multi-national companies. It is that broad, that's the problem"

Investigators

The private investigation market is characterised by a large number of self-employed freelance investigators. It was mentioned by a significant number of interviewees that these are often ex-police and that many jobs are given based on longstanding relationships, rather than through investigators advertising their services.

"I use sub-contractors on an irregular basis – they are people who I may have known for 30 plus years, I know what they're capable of and I trust them"

"The type of person that private investigation attracts are ex-army, ex-police officers. I have knowledge of a number of guys who wouldn't necessarily be advertising in the mainstream but have contacts from relationships with local solicitors. They probably work on an ad hoc basis because they have their police pension"

"I do work for an insurance management company. Over half of their other freelance investigators are retired police man on full pensions who do it part time. It could be anything from half a day a week to 2 or 3 days a week"

In addition to this there are acknowledged big players in investigation, but these are seen to be a minority. Large players mentioned by interviewees depended on their area of specialism, as they tended to think of those who are competitors. Organisations mentioned included Bluemoon (a franchise), Kroll, The Arnour Group, Risk Management, Navigant, Control Risks, Risk Advisory Group and Group4. The large accountancy firms of KPMG, Ernst & Young and Deloitte were also mentioned by one interviewee. Local 'big players' mentioned included Robertson & Co and De-tect Investigations.

In terms of advertising their services, it was felt that often private investigators did not advertise and instead relied on contacts and existing long-term relationships. Key sources for advertising that were mentioned included:

- Varsity Journal
- British Agents journal
- UK Professional Investigations Network (PIN) noticeboard
- ABI quarterly magazine

- Legal magazines

Areas of investigation

The areas covered by private investigation are also seen to be very broad. Few investigation firms are perceived to cover all these areas. Particular areas mentioned by interviewees were:

- Trace work
- Surveillance
- Forensic accounting
- Due diligence
- Process serving
- Health insurance claims
- Personal injury insurance claims
- Matrimonial surveillance
- Bailiff work (although not considered by most to be 'true' investigation work)

These areas were seen to be significantly different from each other, particularly bailiff work and process serving, and forensic accounting.

"Because of my background I'm a pure investigator. There are a lot of people in the private investigation industry but it's almost a misnomer to the extent that their business is predominantly in bailiff work and process serving – in my definition he is not an investigator"

Location of investigation work

The bulk of investigation is felt to be in urban areas, largely because this is where most of the people and companies are. London was the most frequently mentioned investigation hotspot, with one interviewee also referencing Leeds and Manchester.

Employing investigators abroad to work in the UK was rare, with most interviewees saying this did not happen. One respondent had done this once in the 20 years they had been a private investigator, and another claimed this was about 1% of their work. One other respondent did not work with but knew of an investigator who had retired to Spain, but flies back to the UK when he gets offered an investigation job there.

Trade Association membership

Of the seven organisations interviewed, four had individual membership of the ABI, and three did not. Of those who were ABI members, two were members of the IPI, and two of the World Association of Professional Investigators (WAPI). Those who were not members felt that it was expensive, and that their reputation from previous investigation jobs would have a greater bearing on their reputation than membership.

Changes to the Private Investigation Market

Interviewees were asked about changes to the size of the private investigation market in the UK, and whether they feel it is currently stable, growing or shrinking. In general most felt that the market is either stable or had shrunk somewhat due to the recession and financial constraints. However, many commented that work has picked up a little recently.

"Obviously the recession has hit everybody. The sector got very tight in the last few years, but we are starting to get more coming up now which is encouraging"

"Certain aspects of the work is booming like the debt side of it. Health insurance claims are increasing because everyone is trying to claim of their insurance"

"Business is growing for us because we're international – I wouldn't say that the UK business is growing particularly"

"I would probably say its not getting any larger or smaller at the moment"

"For me personally and for a lot of my fellow investigators it's contracted over the last two and a half years. Now I seem to be getting more work. The trend for me personally is the first 6 months this year I have become busier."

"I'd say it's shrinking a little bit. A lot of investigators have been moaning about lack of work."

In addition, many respondents noted that the type of work they have been getting has changed, and that they have reshaped their offer accordingly. New areas of increased work include tracing, health insurance claims and personal injury insurance claims. Most linked these trends to the impact of the recession and more people attempting to claim insurance, or not paying their debts.

Areas with less work mentioned were surveillance for multi-national corporations who are looking to cut costs, and matrimonial work, where private clients are more likely to buy technology to do this themselves rather than hiring a professional.

Licensing

The vast majority of interviewees were aware of the proposed licensing of the private investigation industry. One interviewee was not aware of the proposed licensing, but was familiar with the SIA Approved Contractor Scheme in other sectors. In general, interviewees were mainly negative in their views on the proposed licensing, and often had specific concerns about how it would affect them.

There was a feeling particularly among smaller organisations that the cost of training to obtain a license would be prohibitive, and concern that those in non-investigative roles would still need to attend and become licensed.

Many also feel somewhat insulted that their investigative skills are being called into question by being required to go on a course.

"It's another example of government getting involved in something they shouldn't"

"I've been a professional investigator for over thirty years, but now I'm not to be trusted and have to spend a huge amount of money to go on a training course and pass an exam to see whether I'm worthy or not to be a licensed investigator. I can't tell you how insulted I feel"

"It's been mooted that the courses required to become licensed are a week long and would cost me somewhere in the region of £1200"

Those who think it is a positive thing, feel that it will contribute to raising standards in the industry and ensure that people working in the industry have the right motivations. However, this is only seen to work if the SIA invest in enforcing the licensing, as there is a feeling that many private investigators could continue to work unlicensed. This was mentioned in the context of ex-policemen who only do a small number of jobs each year, based on personal connections and relationships rather than advertising their services.

"I think it's a positive thing if it's done correctly. There is a massive budget as they're going to be charging us a number of hundreds of pounds. I'd like to see my pound of flesh for that, and the SIA going out and knocking on doors and making sure that solicitors, as an example, are using properly licensed investigators. Ex-policemen will still think that doesn't affect me because I will just work for my mates"

"I think it's very positive – it'll raise standards in the industry, get rid of people who are in the industry for the wrong reasons."

Many interviewees had been aware of licensing for some time leading to a feeling that it has been talked about in detail but that nothing has happened yet. There seems to be a need for greater engagement with the industry to answer concerns and explain the process. For those who have been involved previously, there is a feeling that much of their submissions and concerns have been neither acknowledged nor addressed.

"I think there was a certain amount of urgency about it in 2001 and now it's becoming a bit of a joke isn't it?"

"It has been moving at such glacial speed. We have had dialogue in the submissions, most of which to the best of my observation has been ignored"

One of the main issues that interviewees had with licensing is the idea that there would be one licensing scheme for such a diverse range of individuals conducting very different investigation work. Many felt that it would not be possible to do this in a meaningful way, and thought that training courses requiring them to learn about areas of investigation they do not conduct would not be valuable for them.

"The problem with this whole approach is that there are an incredibly broad range of people operating under the broad banner of private investigation. What we do and what a retired policeman who does a little bit of divorce work is so different that it's difficult to imagine that they can apply one set of rules and conditions to the whole collection"

"I know they're doing a lot of talks on introducing forced licensing which I don't think is a good idea. If you take our company, we don't go and do the work as such."

"There is a huge diversity – how anyone is able to license to cover all those routes is beyond me. The guys that do process serving and bailiff-ing know absolutely nothing about surveillance, and I know little or nothing about bailiff work"

Summary & Conclusions

The view of market size from those in the private investigation industry is in line with that uncovered from scoping desk research, and ranges from 500 at the lower end to 10,000 at the upper end.

All interviewees acknowledged that it is difficult to accurately size the market due to the sheer diversity of those working in the industry and the type of work they do that falls under private investigation.

Most felt that investigation work in the UK had been hit by the recession somewhat, but that this was beginning to pick up again. The nature of investigation work has changed too, with more insurance claims and debt collection work resulting from the recession.

The majority of interviewees were aware of the proposed licensing of private investigators by the SIA, which had a mixed response. Most were negative about licensing, and this tended to be due to the cost of becoming licensed, the perceived judgement of their investigative skills and standards, and the appropriateness of a single license for such a diverse area. Those positive about licensing thought it would bring about an increase in standards, but their positivity was conditional on active and visible enforcement of licensing by the SIA. Additionally, some larger organisations were concerned that their views expressed to the SIA have not been listened to in the past. This indicates that an engagement strategy with these organisations may be needed to successfully implement licensing.

Appendix 1 – Interview Arranging Script

Hello, my name is [NAME] and I work for COI. We are carrying out a survey on behalf of the Security Industry Authority (SIA) talking to people who work in private investigation to understand the sector ahead of the proposed licensing of Private Investigators.

[IF NO CONTACT NAME] Please could you put me through to the managing director or other senior management member of staff?

This research and your choice to participate in it or not will have no bearing on you, your company or any SIA licence application. The answers you give will be treated in the strictest of confidence.

To help us gather information on the private investigation sector I would like to ask a few questions about your organisation please. It is a short questionnaire and should only take about 10 minutes, is it convenient for you to answer a few questions now or should I arrange to call you back at a better time?

Appendix 2 – Discussion Guide

Licensing

- Are you aware of the SIA Approved Contractor Scheme and proposed licensing of the private investigation industry?
- What are your views on licensing? Positive, negative, no opinion? Why is this?
- Are you members of the ACS in another sector that is already licensed (e.g. Security Guards, Door Supervisors)?
- Do your current PI's undertake any formal training, if so what?

Market Size and Characteristics

- How many PI companies do you estimate there to be working in the UK?
- How many of these are companies with many branches?
- Who are the biggest players?
- Do you perceive the market to be stable, growing or shrinking?
- What might the reasons for this be?
- How many freelance, sporadic or part time PIs would you estimate there to be working?
- How many private investigators do you think are operating in your area? (Define area, region or type of work, or both)
- Is the market mainly urban or fairly diffuse? Where are the gaps/hotspots?
- Are you/is anyone at your organisation a member of a trade association such as the ABI or IPI?
- Where do unaccredited companies advertise?

Organisation Size

- Can you please tell me roughly how many employees your organisation has?
- And how many of those conduct frontline private investigation work?
- How many persons besides private investigators handle sensitive data surrounding PI work?
- Is private investigation the primary/main job for the majority of employees or does it tend to be a second job for them?
- Are the PIs you use permanent employees or freelance staff who may do investigative work for other organisations?
- Is being self-employed a typical characteristic of the industry?
- Do you employ PI's to work in the UK who are based overseas?
- If yes, how many of these are from within the EU? And how many of these are from outside the EU and from where are they specifically?
- What would you say is the median number of investigators per company in the UK?

Is there anything else you would like to add?

THANK AND CLOSE