

Locksmiths Bullish on Electronic Access

This year's Locksmith Ledger State of the Industry report, which makes up nine pages starting on page 12, is a comprehensive look into the mind of today's locksmith, with a particular focus on what is most important to their business. We are excited to report that responses to this year's survey were up nearly 20 percent from last year, showing how thriving the locksmith community is, and how it continues to evolve and attract new talent.

Locksmith Ledger asked locksmiths for feedback on several key topics around their business, including market and product areas where they are seeing the most growth. For example, when asked which technologies locksmiths are most excited about (see page 7 of report), not surprisingly, smart locks were No. 1 on their list. The report also looks at where locksmiths buy their products (see page 8 of report), as well as which product categories are showing the most growth. Hint, electronic access and automotive fared well.

While we expected supply-chain issues to ease a bit this year (see page 5 of report for a closer look), we were pleasantly surprised to see that the number of locksmiths affected by backlogs declined steeply, going from 64.9% of locksmiths saying "product delays" was their top concern last year, to just 32.3% this year. That is an incredible drop of about 50 percent overall from last year!

Because electronic access control is becoming such an integral part of a locksmith's business, we asked several questions (see page 9 of report) to try and delve deeper into what influence the electronic movement is having on their business. Interestingly, when asked how much their business expects to implement with respect to electronic access control in the next year, almost half, 47.4%, said they will be implementing "more than before," which quantifies what we are hearing in our conversations with locksmiths. Another

30.6% expect to implement "the same as before," with only 20 percent saying they don't expect to implement solutions for electronic access control.

A whopping 81% said electronic access control will have some effect by being a major driver in their product portfolio, or as a complement to their existing portfolio.

As Joshua Sands, owner of Key City Locksmith and Security, based in Kansas, points out, COVID greatly changed the workplace, hastening the adoption of electronic locks and connected technologies. "There was a hard push to electronics, but it wasn't necessarily affordable on the residential side, and the commercial side, while they could afford it, they didn't spend money unnecessarily, especially if they perceived it as a convenience factor," he explains. "Now, because of COVID, corporate has changed drastically - no more keys - too many people are not coming into the office, or don't come into work steadily, or there's high turnover ... so many factors."

Another area where we take a deeper dive into is hiring (see page 6 of report), and not surprisingly, locksmiths chose "finding qualified candidates" as their top challenge at 57.6%. This further validates findings on page 5 of the report that show "finding and retaining employees" as a "top five" business challenge facing locksmiths today. With the continued expansion into electronic access and other new and connected technologies, the locksmithing industry is attracting a new group of tech-savvy security professionals. Combined with this year's positive financial forecast (see page 6 of report), the future for locksmiths looks bright.



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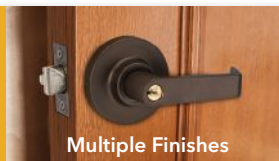
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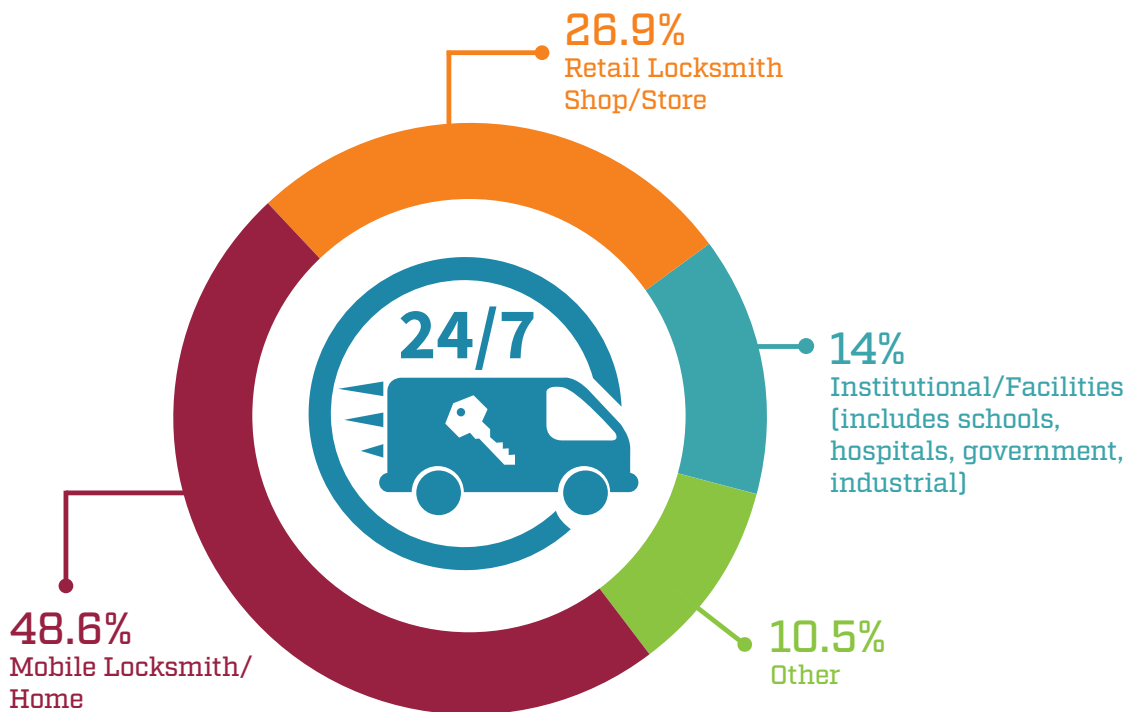
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The Locksmith's Perspective

The purpose of this comprehensive Locksmith Ledger report is to paint a picture of the forces that affect North American locksmiths and security pros and attempt to quantify those effects on their business. Responses to this year's survey, which

was delivered to qualified professionals who subscribe to Locksmith Ledger International, were up nearly 20 percent from last year, with a total of 257 qualified respondents who participated in this survey.

Respondent Business Profile



Locksmiths Still Going Mobile

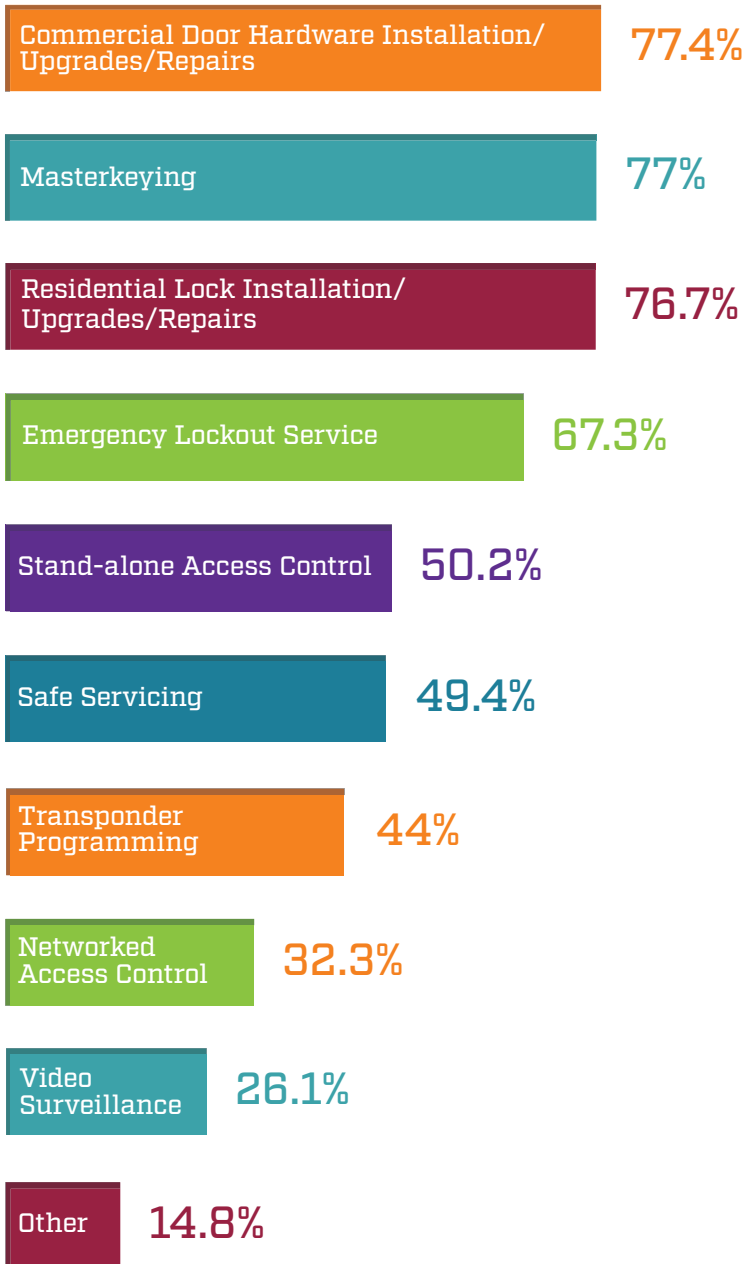
Similar to the last few years' survey numbers, the largest percentage of locksmiths who responded to our survey are those who self-identify as mobile locksmiths (48.6%), down slightly from 50.7% last year, followed by 26.9% who self-identify as owning a retail shop, which is down from 31% last year. Looking closer at the 10.51% who chose "other," many commented that they do both mobile and storefront, or work within a hardware store, for example, which could help explain the 5% decrease from last year for those who say they own their own retail shop only.

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Professional Services

Respondents were asked to name the services their business provides. They were asked to select all that apply, so the sum won't add up to 100%.



Diversification and Expansion

Locksmiths continue to perform a multitude of tasks and diversify their business to include services that go beyond mechanical locksmithing to include networked access control, video surveillance and automotive, for example, which are areas that continue to show growth.

In addition to the traditional services that locksmiths provide, such as masterkeying (77%), emergency lockout service (67.3%), and doing lock installation, upgrades and repairs for commercial (77.4%) and residential (76.7%), the newer, more high-tech sectors of networked access control (32.3%) and video surveillance (26.1%) are both up slightly from last year. These are areas where continued growth is expected.

“If the locksmith doesn’t come out of just doing mechanical work and go into electronic access within the next 10 years, their business is going to be really affected in a negative way because keys are important, but a lot of people are turning away from keys,” says John Nolan, owner of Reliant Security, based in Grand Junction, Colo., who notes we are critical point in the electronic access movement. “The mechanical locksmith is always going to be there, but ultimately when we talk about electronic access, it’s anywhere from someone putting a real simple electronic deadbolt on their house to putting electronics on access to every single door inside of a building.”

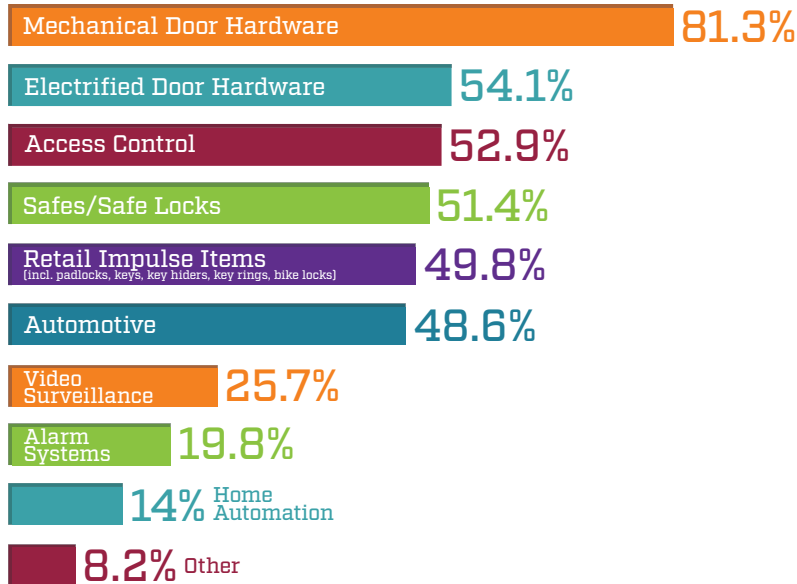
In terms of the growth of video surveillance paired with access control, Joshua Sands, owner of Key City Locksmith and Security, based in Kansas, has seen the evolution of cameras and alarms as just notifiers to becoming much more intelligent and able to automate a response. “Now, with the integration of AI, our systems determine what type of crime is being committed ... and automate a response.”

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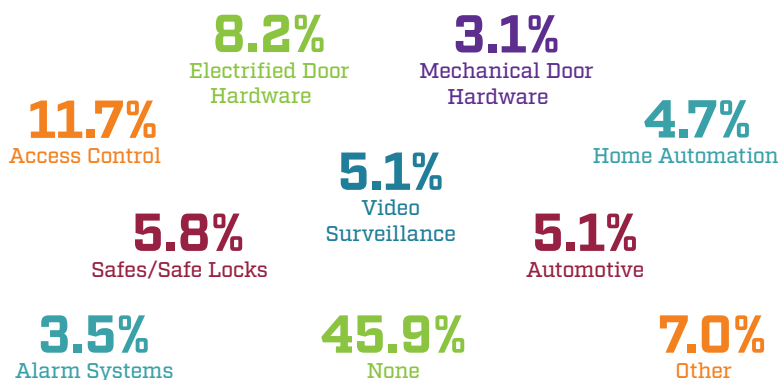
Business Product Segments & Selection

On this first question, respondents were asked to pick which product categories their business services or sells, so the sum won't add up to 100%.

What product segments does your company sell?



What product category do you most want to add to your business?



Mechanical Door Hardware Still on Top, Electrified No. 2

In keeping with what we have seen already in the report, electrified door hardware (54.1%), access control (52.9%), alarm systems (19.8%) and video surveillance systems (25.7%) are continuing to make their way into the locksmiths' business strategies and product offerings, as the numbers remain strong and consistent. But, as we continue to see in our survey, mechanical door hardware remains the dominant product category among respondents, with 81% saying they stock mechanical hardware, which is down slightly from 90 percent last year.

While there is a continued push toward electronic access that is integrated with other technologies, businesses facing increased crime and theft has spurred efforts to fortify all doors of a building. For example, Sands is seeing a big demand for stronger security measures at medical cannabis dispensaries, due not only to stronger regulations but also to prevent theft.

"That's actually written into a lot of laws and many jurisdictions I've researched in the areas we work require on many of your exterior doors that are not to the front of the building – rear entrances or exits – that the Trident locking device be put in place, not just a lever or a mortise mechanism," notes Sands. "We've installed a lot in cannabis places, cell phone stores, retail, and other locations, for example, that require a higher level of security."

Sands is also seeing increased demand for high security safes, which is reflected in the continued trend of locksmiths offering product options for Safes/Safe Locks (51.4%).

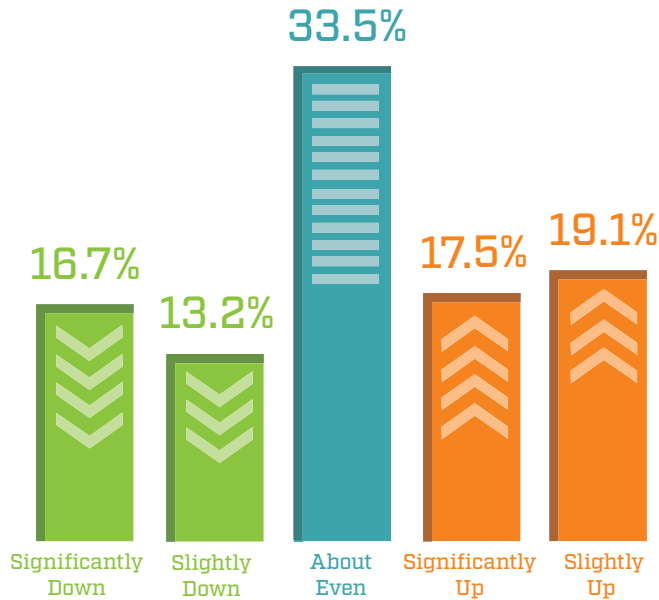
Not surprisingly, Access Control (11.7%) and Electrified Door Hardware (8.2%) were the top two product categories (see bottom left) that locksmiths would like to add to their business.

Revenue & Profit Trends

Respondents were asked how 2023 revenue was trending compared with 2022 numbers as well as how profit was trending during the same period.



REVENUE: 2023 vs. 2022



PROFIT: 2023 vs. 2022



Financial Outlook Remains Strong with Some Challenges

While there are still some economic headwinds and concerns moving forward into 2024, the overall financial outlook for locksmiths remains strong, with 33.5% saying revenue (up from 31.6% last year) and 36.2% saying profits (up from 36.1 last year) “stayed the same” compared with 2022. In addition, those who said both revenues and profits were “significantly up (more than 10%)” continued an upward trend, with 17.5% saying revenue (up from 15.1% in 2022) and 14.8% saying profits (way up from 8.9% in 2022) were “up significantly.” That is all good news!

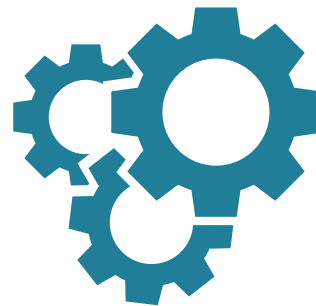
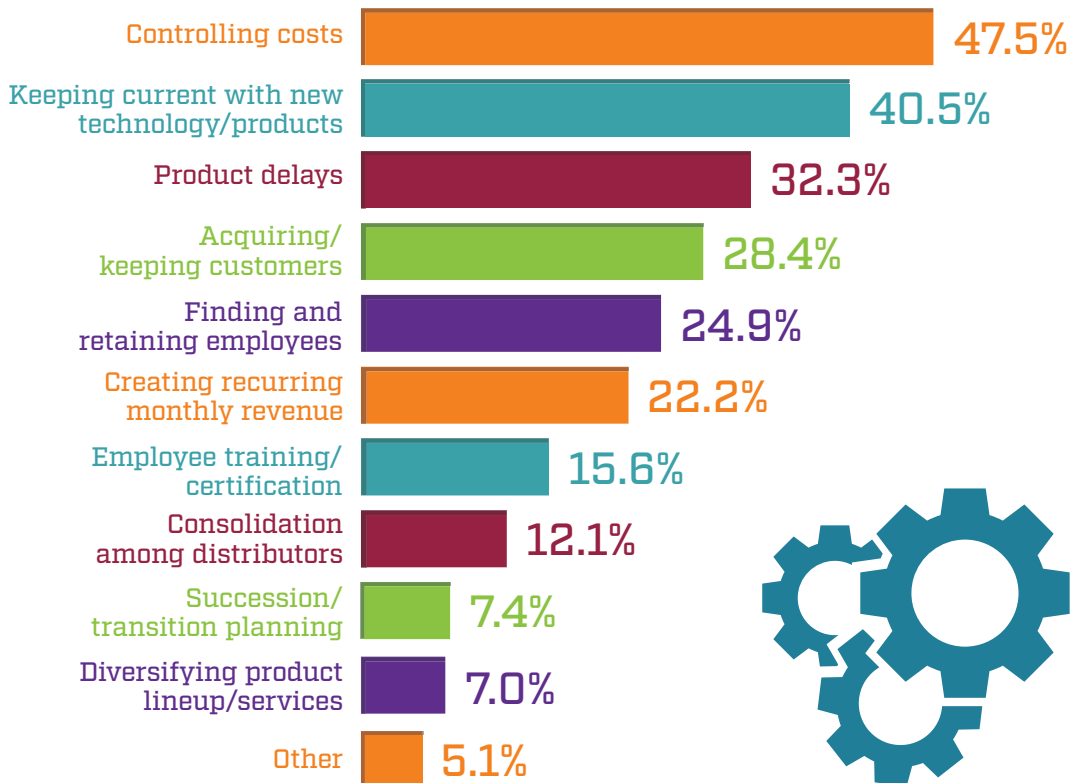
Balancing things out a bit, though, fewer this year said revenue and profits were “up slightly,” including 19.1% this year compared with 29.3% last year for revenue and 18.7% this year compared with 29.8%. We can all agree that locksmiths would prefer to have their business up significantly compared with slightly, so this is also a good trend and one we hope continues.

On the other end of the spectrum, a higher percentage said revenues and profits were down significantly or slightly, with a combined 29.9% this year compared with 24.0% last year for revenues and 30.4% this year compared with 24.9% last year for profits, an additional 5% percent for each, respectively.

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Business Challenges for Locksmiths

Respondents were asked about the biggest challenges to their business in 2023. They were asked to select their top three challenges, so the sum won't add up to 100%.



Product Delays Ease, Costs a Concern

Last year, much of the discussion was on lingering supply chain issues with 64.9% of locksmiths saying “product delays” was their top concern. Thankfully, that number has come way down this year with only 32.3% of respondents saying product delays were a challenge (see more on Supply Chain woes easing on the next page). “Controlling costs” rose as the top challenge for locksmiths this year with 47.5% choosing that as a top concern, although that is down from 57.3% last year, which is a good trend that we hope continues. Rising costs for not only products and shipping but also for doing business overall, are still a concern.

Some comments/concerns from locksmiths included:

- “Being surrounded by other companies that haven’t raised their rates in 15 years.”
- “Possibly affordable office rental and health insurance rates.”

- “Manufacturers opening too many shops direct.”
- “Salary and costs of business/living.”
- “Distributor in-stock items.”
- “Being able to keep up with our customer service and efficiency.”
- “Internet presence/advertising.”
- “Misleading corporate call companies.”

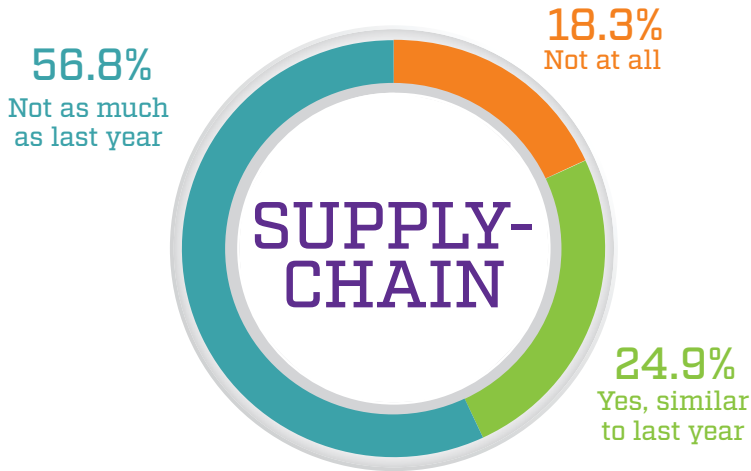
Interestingly, “keeping current with new technology/products” was locksmiths’ No. 2 top challenge with 40.5% picking that as one of their top concerns, up from 38.7% last year, which reflects how locksmiths continue to broaden their services into electronic locks, video surveillance, networked access control, etc.

Another area of concern for locksmiths revolves around the hiring and training of employees (more stats and analysis on the next page), with 24.9% noting that “finding and retaining employees” is a challenge, with another 15.6% saying “employee training/certification” are concerns, which are in line with past years’ findings.

Supply-Chain Effects

Respondents were asked if supply-chain backlogs are still affecting their business in 2023.

How much have supply-chain backlogs affected your business?



Supply Chain Improves, Hiring and Retention Still a Concern

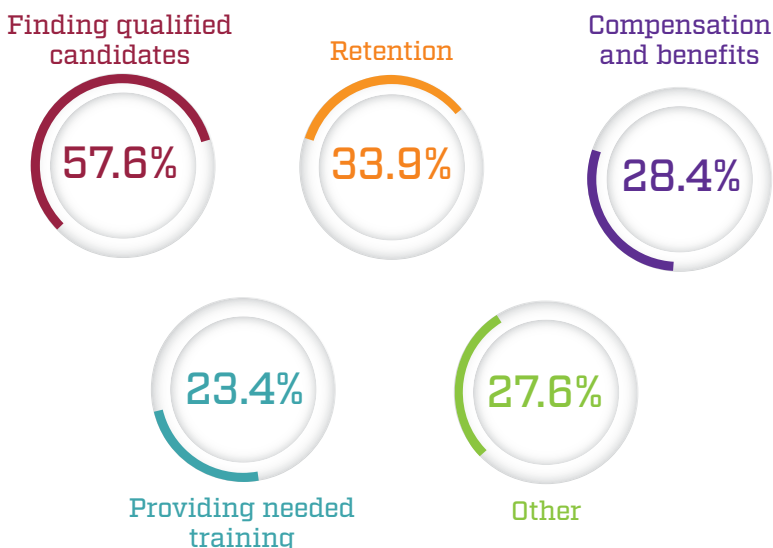
While the effects of COVID still linger today and probably will for many years, thankfully for locksmiths their supply chain concerns have lessened greatly in the past year, with 56.8% of respondents saying that supply chain backlogs were not affecting their business as much this year as last, and another 18.3% saying there is “no effect at all” on their business. Approximately a quarter of locksmiths who responded, though, are still dealing with similar backlog issues and delays as last year, which is still a significant number and one we will keep track of moving forward.

Pivoting to another area that ranked high on the list of challenges for locksmiths is hiring/retention, which has consistently ranked high (see previous page) since we began this report. Diving deeper into the topic this year (see bottom left), locksmiths said that finding qualified candidates (57.6%) was by far their top hiring concern, followed by retention (33.9%), compensation and benefits (28.4%) and providing needed training (23.4%).

As one locksmith commented, “mechanical ability, character and reliability” are the top strengths they are looking for in a candidate, while another was concerned about customer service standards being met, noting, “Training someone with our drive, that can make customers comfortable.” Several commented on challenges such as rising wages, and reliability of workers, with one locksmith lamenting that they just hope new employees “will show up to work.”

With locksmithing continuing to transition to an electronic world, embracing new technologies, and offering more electrified locks and connected systems, the hope is that more tech-savvy young professionals with mechanical ability will be drawn to the industry, and make up the next generation of locksmiths.

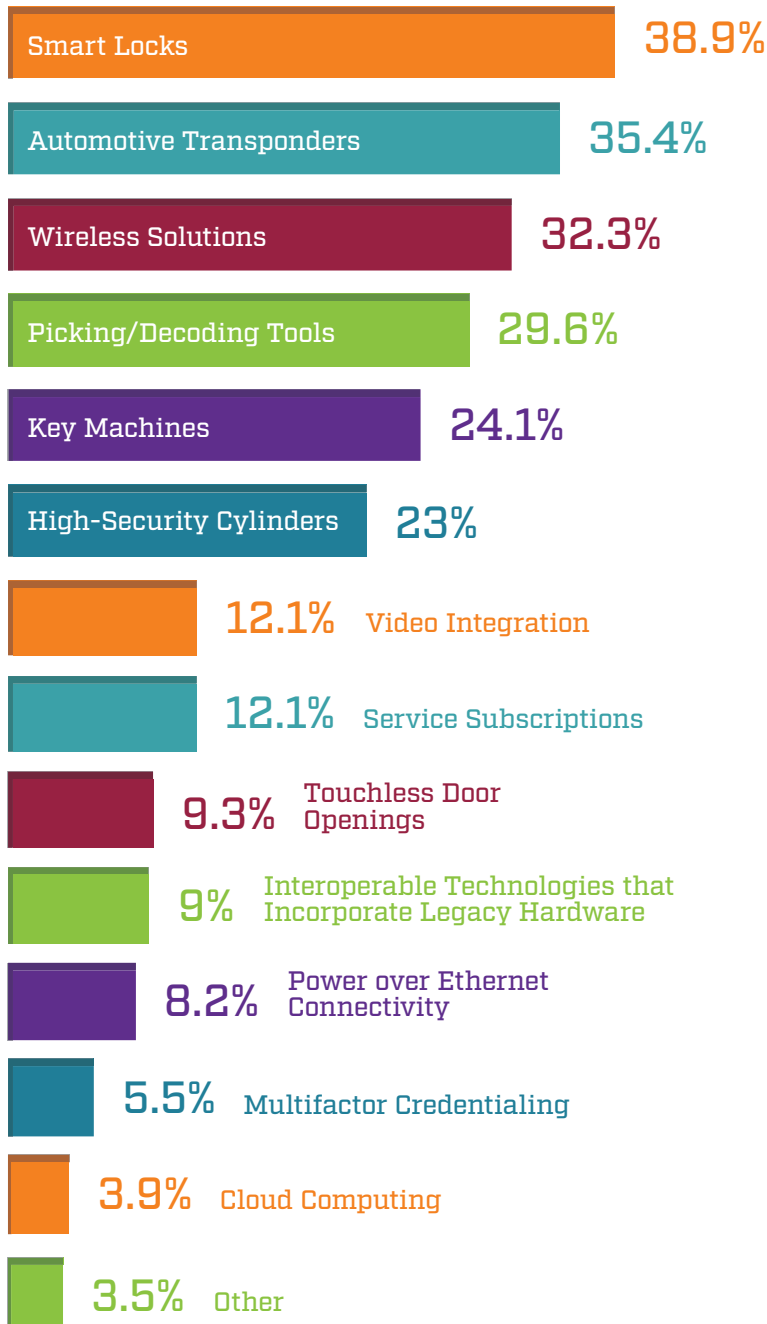
What are your top concerns when it comes to hiring?



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Importance of Technology Advances

Respondents were asked to select the technology or service advancements that were most important to their business. They were asked to select their top three choices, so the sum won't add up to 100%.



Smart Lock Growth Continues

Smart locks continue to be the No. 1 technology that is most important to a locksmith's business, as it has been since we started this survey. Not surprisingly, "wireless solutions" at 32.3% moved into the top three behind "automotive transponders" at 35.4%, reflecting a continuing theme in this report of how locksmiths are expanding more into smart locks and wireless solutions.

Looking at the latest Parks Associates' research, more than 12 million U.S. households own a smart door lock, nearly double the adoption rate five years prior, with smart lock purchase intention returning to pre-pandemic levels. "Both current smart device owners and non-owners display intentions to purchase a smart door lock, but households owning smart home devices already have intentions nearly 3X those of households without any smart home devices," says Parks Associates President and CMO Elizabeth Parks.

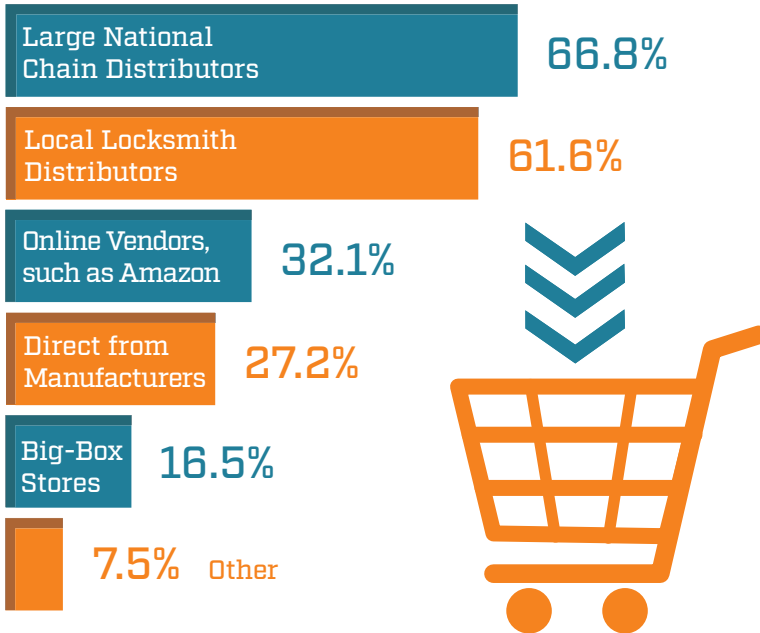
Multifamily is an area of strong growth, with about three out of four MDU property managers finding the ability of smart door locks to minimize key replacement costs "very appealing," according to Parks, noting that "an increasing number of exterior locks in single-family homes are being replaced with smart door locks. Across single-family, multi-family, retail, and commercial spaces, builders, and owners are adopting connected entry solutions to create more secure and functional spaces."

Some key Parks' data points:

- 73% of MDU properties with smart door locks use the devices to grant access to units remotely for unaccompanied viewings, package delivery, or third-party services.
- 65% use the locks to track who enters and leaves the property using temporary, unique access codes.
- About three out of four MDU property managers find the ability of smart door locks to minimize key replacement costs "very appealing."
- One-third of MDU property managers report that their residents are demanding the ability to enable remote access to apartment units.

Product Purchase Sources

Respondents were asked about where they buy their products. They were asked to select all that apply, so the sum won't add up to 100%.



Locksmiths Shopping Around, Automotive Growing

The lingering effects of the supply chain issues we have seen in the past few years have led locksmiths to diversify and expand their purchasing channels, which is reflected in this year's survey results. While locksmiths say they continue to buy predominately from large national chain distributors (66.8%) and from local locksmith distributors (61.6%), those numbers are down from last year's 73.3% and 64.4%, respectively, as locksmiths look to other channels for the products they need.

Looking at the varied sources that locksmiths look to for products, survey respondents commented:

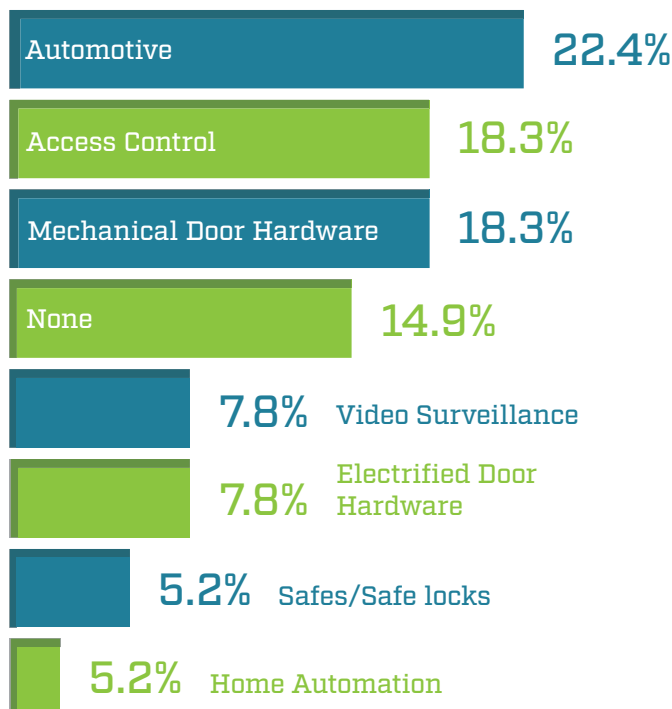
- "I use Big-Box stores when I need an item that I do not stock."
- "From overseas sources since the national chains could seemingly care less about automotive locksmiths."
- "Wherever I can get a better price."
- "Professional Outlets"

Taking a closer look at which product segment has shown the most growth for locksmiths, automotive (22.4%), which locksmiths continue to say is an area of growth, topped all categories, with access control (18.3%) and mechanical door hardware (18.3%) tied for No. 2.

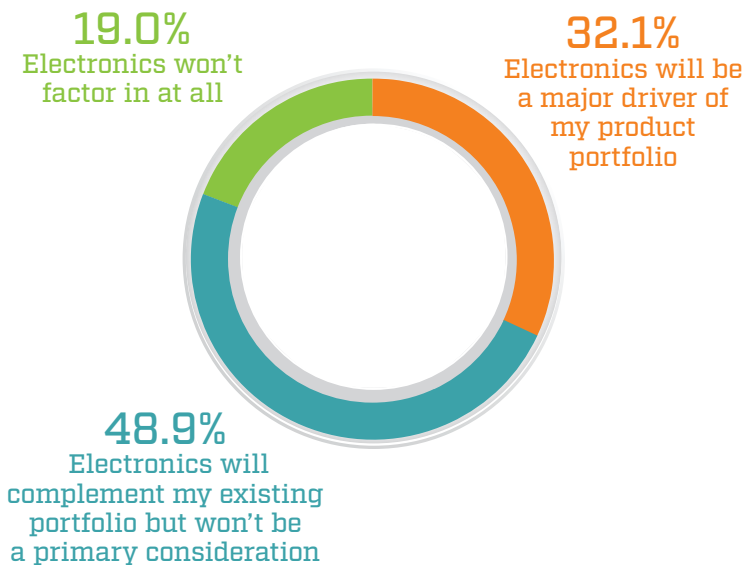
Some other areas of growth that locksmiths identified in the survey include:

- Residential digital keypads
- Metal doors and frames
- Safe and vault sales, service, and installation
- Smart locks
- Anything commercial hardware-related, which includes electrified and mechanical

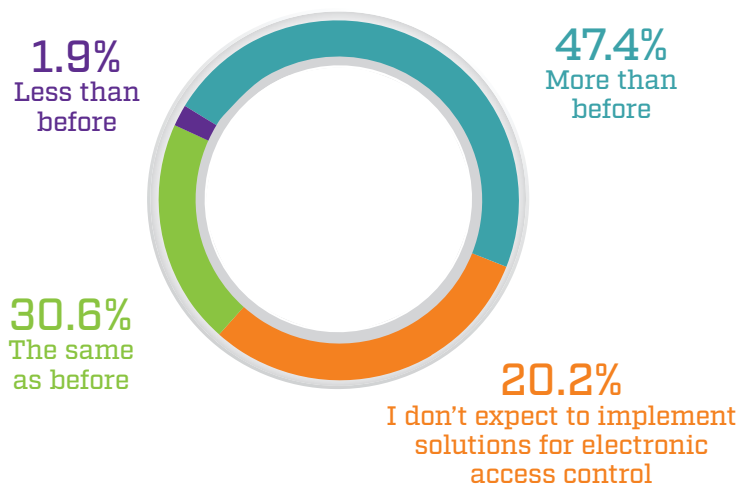
What product segment has shown the most growth in the last 12 months?



What effect will electronics have on your locking solutions in the next 3 years?



How much does your business expect to implement with respect to electronic access control in the next year?



Electronic Access Control More Important than Ever for Locksmiths

The electronic access control movement within the locksmith community is beginning to gain some momentum, so we asked locksmiths to answer a few important questions regarding their adoption of this technology and its importance to their overall business. When asked what effect electronics will have on their locking solutions in the next three years, a whopping 81% said it will have some effect, with 32.1% saying, “electronics will be a major driver of my product portfolio,” and 48.9% saying, “electronics will complement my existing portfolio but won’t be a primary consideration.” Only 19.0% said electronics won’t factor in at all.

Diving deeper down into the role of electronics, when asked how much their business expects to implement with respect to electronic access control in the next year, almost half, 47.4%, said more than before, which validates what we are hearing in our conversations with locksmiths. Another 30.6% expect to implement “the same as before,” with only 20 percent saying they don’t expect to implement solutions for electronic access control.

“It’s not if, it’s when will you make a move to more electronic stuff ... Or are you just going to slowly see your business get smaller every year?” says Glenn Younger, owner, Grah Safe and Lock, based in San Diego, Calif. “Younger says his business has gone from no electronic work when he first started out to it now making up approximately 40 percent when you consider overall revenue, with mechanical still representing 60 percent. “When I consider the number of doors, we still do more mechanical doors than we do electronic, but the electronic doors are at a much higher cost.”