



CONTROLLED PRODUCTS SYSTEMS GROUP



INDUSTRY TRENDS REPORT **2022-23**

IN PARTNERSHIP WITH





STRONG ENOUGH FOR ANY CHALLENGE.

The access business remains full of promise – even when there’s economic change ahead.

That’s the theme of CPSG’s third annual industry report, which showed continued growth and opportunity throughout the last year. Your next 12 months won’t be like your last 12 – but you’re already armed with ways to keep on thriving.

As always, CPSG surveyed hundreds of dealers, installers and security integrators from across the U.S. to hear how business has been and what they expect for 2023. **Here’s what you told us.**

ROUGH SEAS AHEAD - AND YOU'LL BE READY.

The last two years have been good ones. Even as a global pandemic brought issues with labor, tariffs and supply-chain logistics, 2021's up shift in personal spending made residential projects a boon for the access industry. 2022 saw installers continue to expand, with long-planned projects bearing fruit and corporate cash moving more freely.

For a while, at least.

But this year won't look like that. Even as members of our industry are enjoying increased sales and busy backlogs, they've also started reckoning with inflation. Interest rates have spiked, and supply-chain woes linger. All of this means customers in 2023 will still invest – but they'll be thinking differently about it.

So can you. The second half of this report spotlights some ways our industry is already thinking differently about the year to come. We can't change interest rates, but we can look for ways to make our businesses resilient every day, no matter how the economic winds are blowing.

We're so grateful to work beside you in this still-flourishing industry. Here's to tomorrow.

Your friends at CPSG

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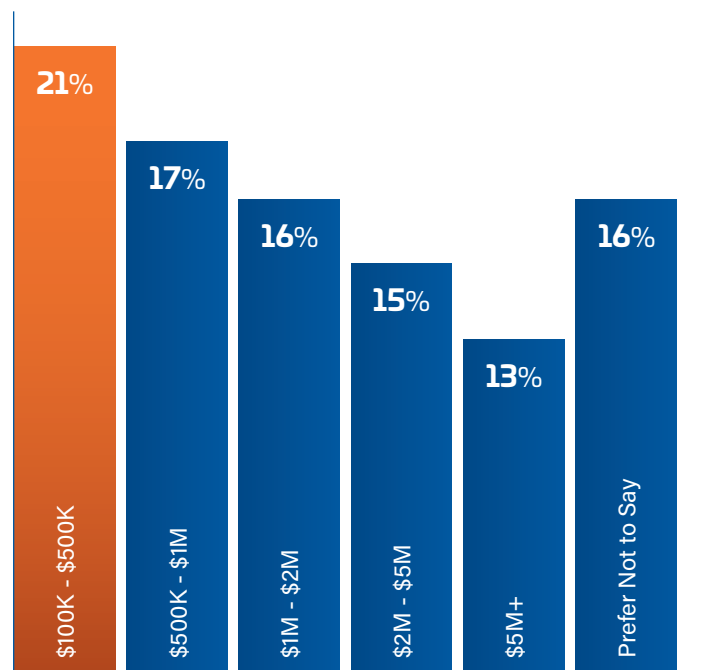
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WHO TOOK THIS SURVEY

GRAPH OF ANNUAL SALES VOLUME FIGURES ON P4, ITEM IV IN SURVEY RESULTS:



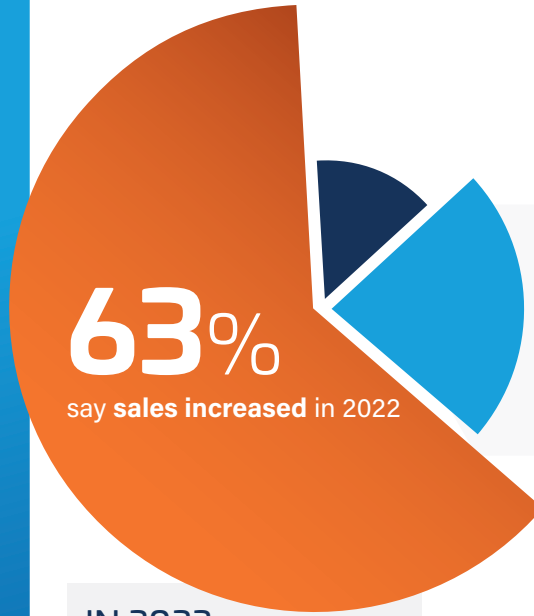
Learn more about survey respondents on pg 11

BUSY BACKLOGS; HEALTHY SALES

CONTINUING GROWTH IN 2022

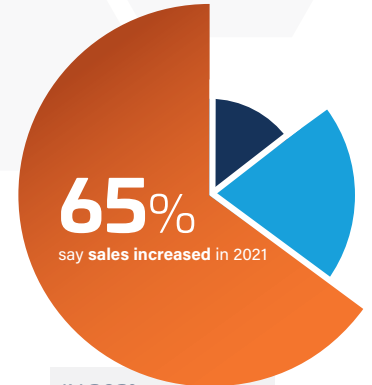
Last year was like the one before. In 2022, installers told us sales continued strong and backlogs filled up. There were shifts: Residential growth continued at a slower pace, while multi-family may have picked up steam. But overall, changing technology and available cash drove industry growth in 2022 much as it had in 2021. The wind, as last year's Industry Trends Report predicted, was at our backs.

Were there signs that wind was slowing by year's end? Undoubtedly. Perhaps that's why 2022's reported sales growth was a few points lower than 2021's, with more installers telling us things "stayed the same." A change was coming. **Now, it's here.**



IN 2022...

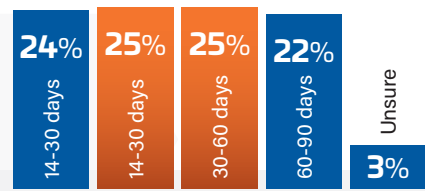
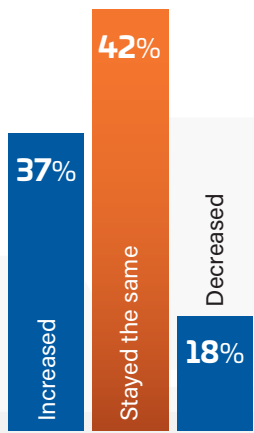
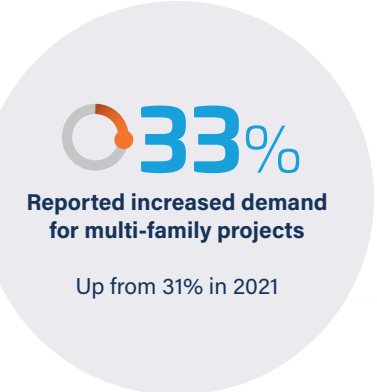
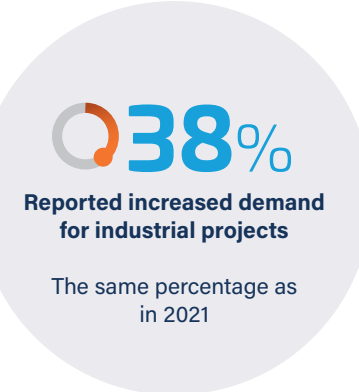
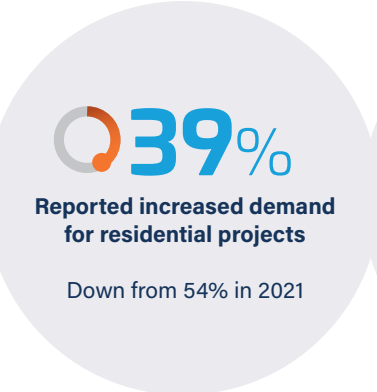
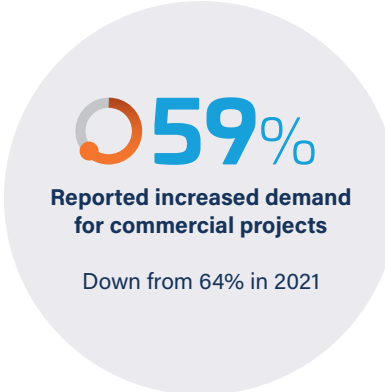
- Sales increased (63%)
- Sales stayed the same (23%)
- Sales dropped off (14%)



IN 2021...

- Sales increased (65%)
- Sales stayed the same (20%)
- Sales dropped off (15%)

VS



BUSIER THAN EVER?

The question: "How has your back log changed in the last 180 days?"

The question: "What is your current back log of work?"



We are faced with a kind of two-sided coin. The positive side represents strong current orders and a continuing need for more workers, while the negative side represents inflationary pressures and global headwinds.

Tom Palisin,
The Manufacturers' Association
(as quoted in Door + Access Systems, winter 2022)

HIGH COSTS; SHORT LABOR CHALLENGES FOR 2023

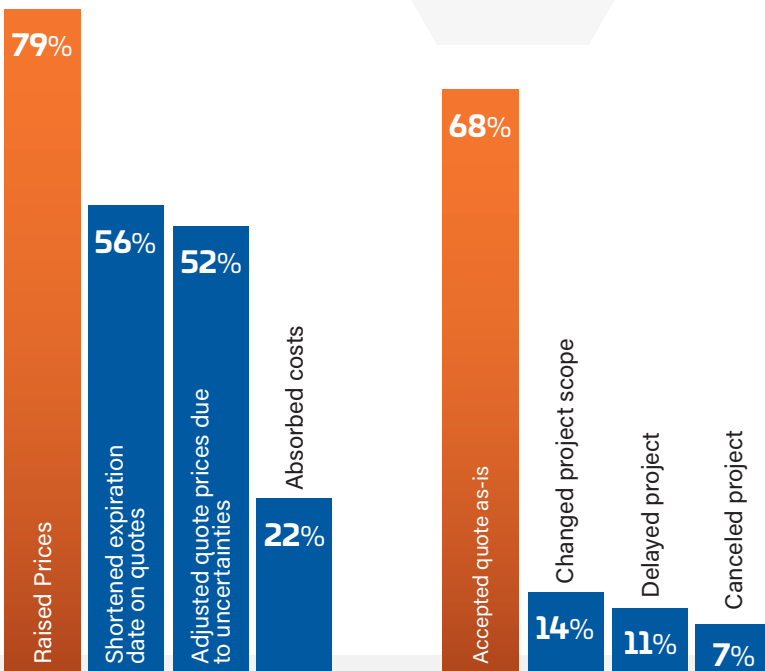
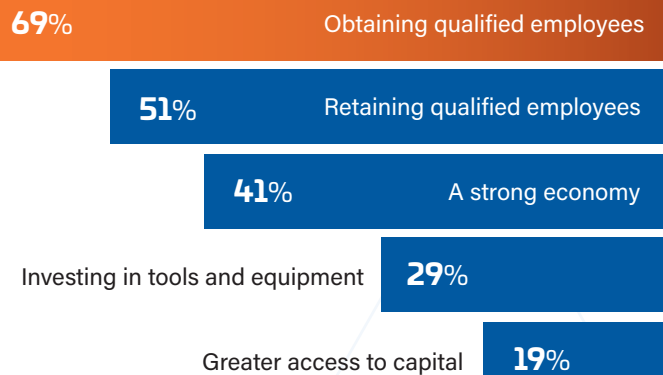
Three challenges loom largest over 2023: Interest, inflation and employment. Rising costs and less-available loans will make some companies think twice about what they build and when. And the continuing shortage of workforce across most industries means qualified employees are more of an asset to your business than they've ever been.

Bad news? Perhaps. But rising wages can mean greater retail spending, too – and new construction's not the only place our industry's uncovering opportunity.

Here's what you said about the challenges ahead. For ways to meet those challenges, read on.

GROWING YOUR BUSINESS

The question: "What are the most critical factors in growing your business?"



PRICE INCREASES

The question: "How have you navigated price increases?"

The question: "How did your customers respond to price increases?"



OPPORTUNITIES LONG-RANGE & ONLINE ACCESS

OPENING UP NEW INCOME STREAMS

Among customers and installers alike, two technologies continue to hold the most attention: RFID-based access and cloud-based access. New tech keeps buyers interested – but as we’ll see on the following pages, it can also unlock opportunities for ongoing service revenue. This year, that consistent monthly income could feel especially valuable.

CLOUD-BASED ACCESS

Connected tech takes advantage of the cloud to give your customers web-based control. That means access through smartphones instead of landlines, and it makes video apps and intercoms (see below) easy to include. **Almost 90%** of those who took our survey already install devices that include online connections of some kind.

Cloud tech can also turn installers into supporters, bringing ongoing revenue and making you less reliant on new purchasers from month to month. See how CPSG can help expand your offerings on Page 10.

The question: “Which of the following services would you like to add to your current business model?”

23%

Cloud-based access control

22%

RFID (Long Range Vehicle Identification)

17%

Crash, anti-ram, hostile vehicle mitigation

16%

Gate automation

16%

Telephone entry systems



The question: “When you sell telephone entry/smart intercoms, how often do customers ask for video intercoms and apps?”

Always/Usually

36%

37%

Sometimes

27%

23%

Rarely/Never

13%

15%

Don't do this type of work

24%

25%

● Residential

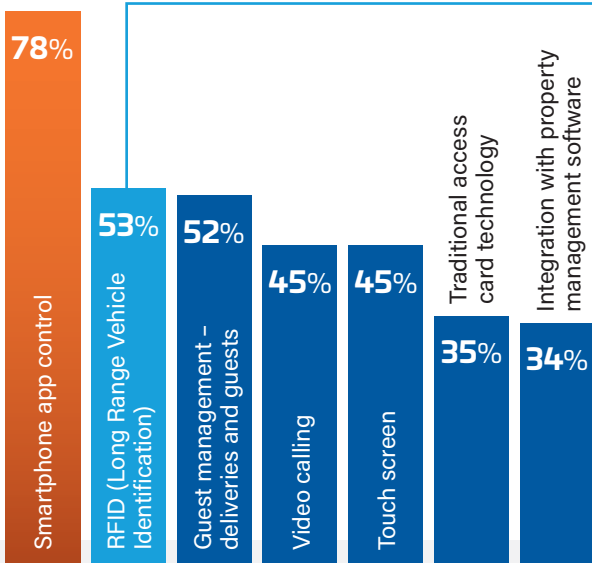
● Multi-family

Smart technologies are offering a double benefit: They keep you competitive. But they also let you sell your customers recurring services. Installers who don't do that are seeing that work go to providers in other industries.

Zach Eichenberger,
Director of Products & Services, CPSG



OPPORTUNITIES LONG-RANGE & ONLINE ACCESS



The question: "What products or features are being requested in multi-tenant installations?"



LONG RANGE VEHICLE IDENTIFICATION

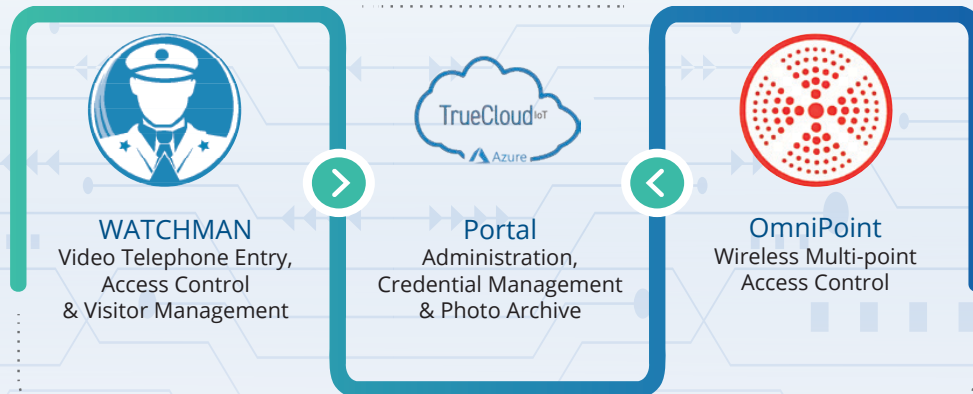
Radio-frequency identification (RFID) makes it possible to tag and track approved vehicles from a distance, allowing users to monitor traffic and often eliminating queues in entry and exit areas.

RFID's application in the access business is usually Automated Vehicle Identification (AVI) or Long Range Vehicle Identification. CPSG's team includes some of the industry's leading experts - if you need help planning a solution, we're here for you.



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Revolutionary Access Control, Telephone Entry & Cloud-Based Portal Integration



Without All the Infrastructure

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Leaders in Cellular Access Control Since 2007

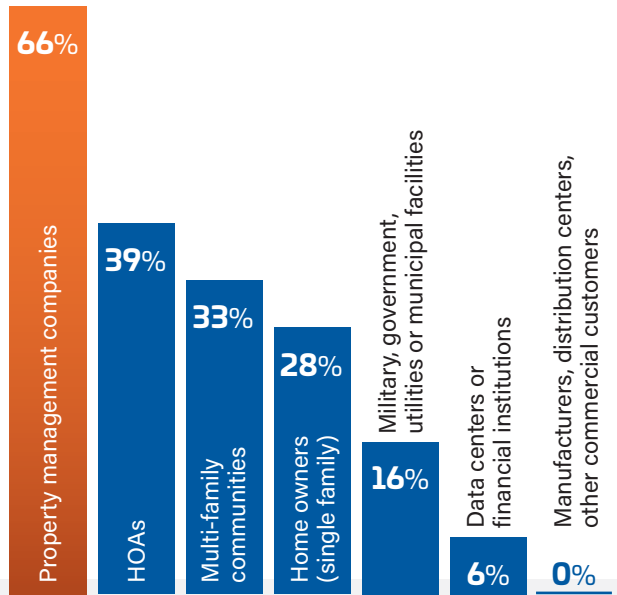
www.cell-gate.com



OPPORTUNITY: RECURRING REVENUE

CARING FOR CUSTOMERS BEYOND THE INSTALLATION

Interest in ongoing services continues to grow. Cloud access often requires ongoing management, but there are other benefits as well: Customers can monitor systems from afar, and installers can run diagnostics remotely too. That means faster service response times, something customers value highly.



The question: "Which customer segments are most likely to request recurring services?"

SlideDriver II NEXT GENERATION

Meet the next generation of SlideDriver™ from HySecurity.

SlideDriver II builds upon a legacy of security and reliability with the new SmartTouch 725 control board.

 HySecurity
a Nice company

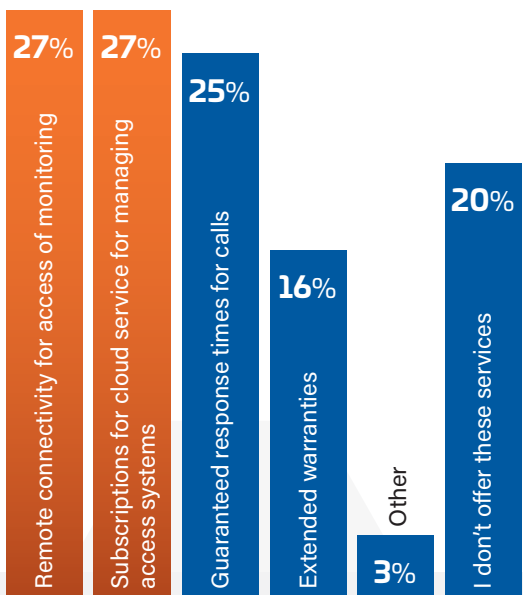




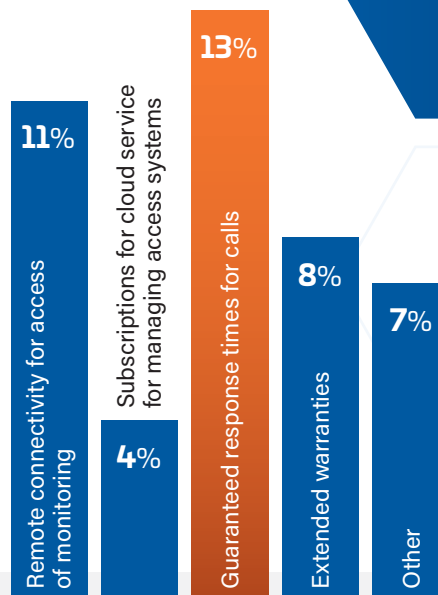
OPPORTUNITY: RECURRING REVENUE

Customers want the benefits of ongoing service – they’re just not sure if the benefits are worth the cost. Installers have the chance to educate them. But first, we need to continue educating ourselves.

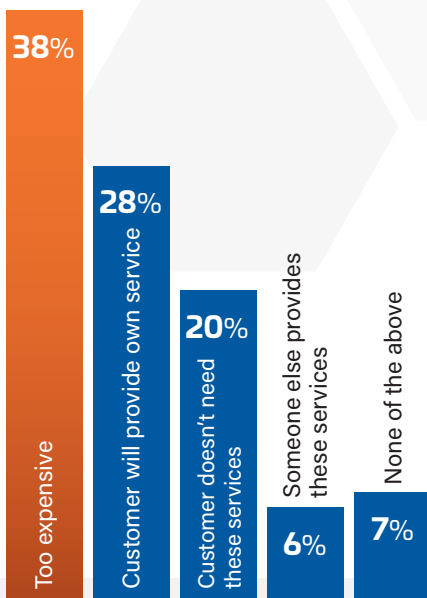
Frank Qualtier,
Director of Sales & Marketing, CPSG



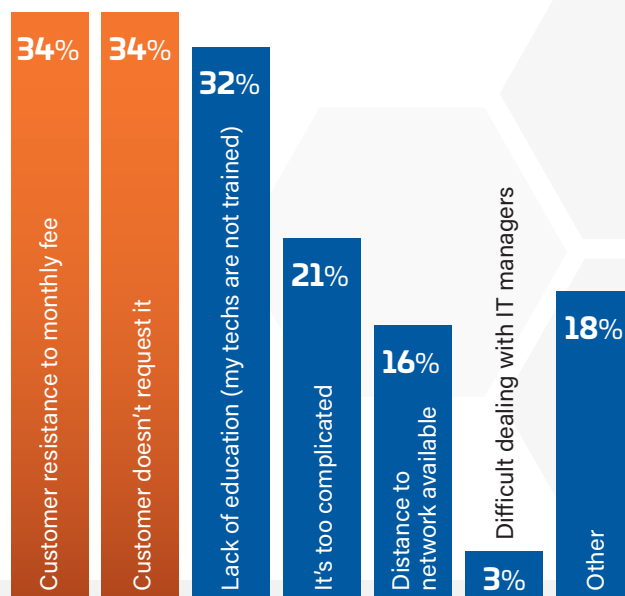
The question: "What recurring services do you offer your customers? (choose all that apply)"



The question: "Which recurring service do your customers most request? (choose one only)"



The question: "When customers decline these service offerings, what is the most prevalent reason why? (choose one only)"



The question: "What are some reasons you are not connecting devices?? (choose all that apply)"



OPPORTUNITY: TRAIN AND AUGMENT YOUR WORKFORCE

THE RIGHT PEOPLE FOR THE TASK AT HAND

"A labor shortage is going to be a long-term condition," Phillip M. Perry writes in the Winter 2022 issue of Door + Access Systems. That makes your team more valuable than ever – and investing in them a worthwhile expense.

CPSG offers online and in-branch training sessions, and we host more in-depth courses at our educational facility in Denver. If it's time to grow your knowledge base, we're here to help.

The question: "Does your company face any obstacles when selling/installing connected products and services?"

NO TRAINING NECESSARY

Want to extend your workforce instantly? CPSG's Dealer Access Service makes our team your team, letting you offer setup and ongoing support to your customers without the need to hire or train. Your lineup is looking stronger already.

33% I don't have obstacles selling these types of products

28% Difficult to train employees

24% Not a strong demand in our market

22% Difficult to train clients

Lack of product information & support **18%**

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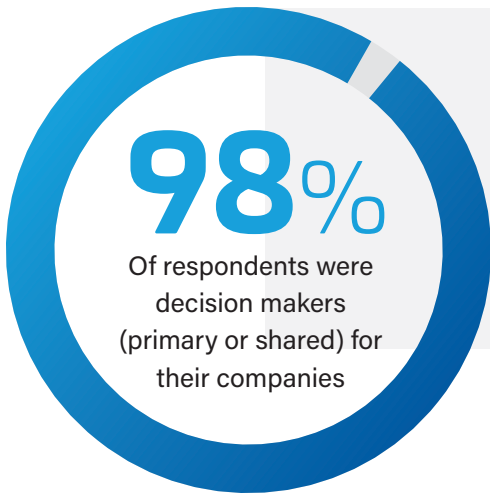


WHO TOOK THE SURVEY?

RESPONDENT DATA

This survey was offered to those working across the access industry, including dealers, installers and security integrators of every business size and scale. The insights captured here came from almost 300 leaders in our field.

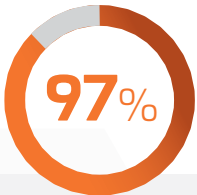
Our review of the data shows that we had impressive participation from tenured industry professionals. Your experience, insight and commitment to customer satisfaction are remarkable.



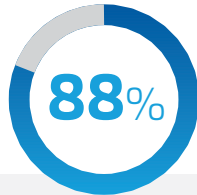
COMPANY ROLE

63% of those who took the survey describe themselves as **Owner, President or CEO**; **12%** as **VP, General Manager or Operations Manager**; and **6%** as **Purchasing Representative/Manager**.

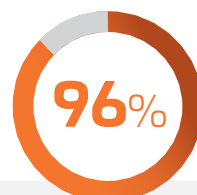
Small business owners, of course, may have multiple roles.



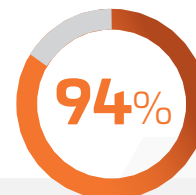
Of respondents see business sales from some amount of **commercial work**.



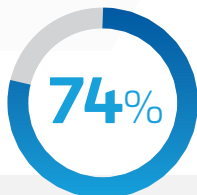
Of respondents see business sales from some amount of **single-family residential work**.



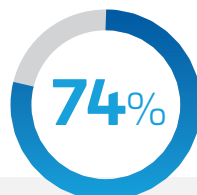
Of respondents see some amount of business sales from **servicing existing equipment**.



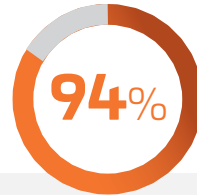
Of respondents see some amount of business sales from **new installations on existing property**.



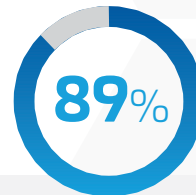
Of respondents see more business sales from some amount of **multi-tenant residential work**.



Of respondents see business sales from some amount of **industrial work**.



Of respondents see some amount of business sales from **new construction**.



Of respondents see some amount of business sales from **retrofits**.

WHO WE ARE

CONTROLLED PRODUCTS SOLUTIONS GROUP

CPSG is a premier distributor of perimeter access control equipment. We support installers by giving you access to the largest inventory of equipment in the U.S., helping you navigate a sea of options, and lending you the expertise and insight to design best-in-class customize solutions for the most demanding facility owners.

The strong customer base national footprint and wide variety of suppliers, products and solutions CPSG works with have uniquely positioned us to provide research and insights like the ones in this report. We hope you've found them helpful.

CPSG strives to be more than your easiest distributor or best advisor. We're your partner. **We do our best work, day after day – so you can do your best work, too.**



HAPPY TO HELP.

For insight on how the opportunities in this report can help you build your business, contact us at info@controlledproducts.com.

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