



COVID-19 IMPACT ANALYSIS

*Situational Analysis of Impact of COVID-19 on the
AUS/NZ Locksmith Industry Supply Chain*

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*“A **Black swan** is an unpredictable **event** that is beyond what is normally expected of a situation and has potentially severe consequences.*

***Black swan events** are characterised by their extreme rarity, their severe impact, and the widespread insistence they were obvious in hindsight.”*

Executive Summary

This report has been prepared to examine the effects of COVID-19 on the Australian and New Zealand Locksmith industry through observations and feedback received from the MLAA members. A business and trade member survey along with a mix of industry stakeholder 1-1 interviews have provided the data referenced in this report.

A key finding of the primary research is the financial impact COVID-19 has had on member businesses. 86% of all respondents have reported a decrease in revenue, with 78% stating a significant reduction of 20-60% in income.

COVID-19 has also impacted the operations of the MLAA members. 98% are now using social distancing in their businesses. In New Zealand, all respondents were forced to close front of shop, after alert 4 lockdown measures were imposed. The research also indicates that 66% of locksmith respondents have reduced stock levels, 38% of respondents have reduced staff hours and 19% reduced staff numbers as cashflow protective measures.

As both Australian and New Zealand governments introduced rescue packages, 57% of Australian respondents have applied for the Federal Government Job keeper package where 91% of respondents from New Zealand have applied for wage subsidy. Despite these measures, 45% of all respondents have a negative outlook for their business over the next 6 months. In fact, 11 per cent of respondents report that their business is at risk of closure in the next two quarters.

Some further key findings are that the MLAA executive and board response to the crisis has been well received with areas of opportunity focusing on.

- Giving members the ability to access HR support in a streamlined manner through the MLAA support office.
- Providing mental health support to its members during these times of increased demand for such assistance and beyond.
- Closing the financial health gap, by providing knowledge and advice to members along with training on avenues of increasing their income.
- Focusing on social wellbeing of the industry by bringing its members closer and interacting more in a post COVID-19 world.
- Creating and communicating direction through a strategy definition process for the next 5 years.

It is recommended that the MLAA:

1. Establishes a streamlined human resources support line for its members
2. Develops a mental health support partnership for its members and investigates bulk employee assistance packages EAP for members in need.
3. Develops a Financial and business online training Program
4. Investigates the creation of online non-brand-specific product training for Members supported by suppliers and TAFE
5. Plans industry events and social interaction activities as soon as social distancing ends
6. Defines the MLAA strategy for the next 5 years

At the time of writing this document, the COVID-19 global pandemic effects are still unfolding. As this is a developing event, what currently appears as clear findings below, may require further refinement and adjustment as the economic climate and social environment changes further in response to this pandemic.

Timeline

Global

The World Health Organization declared the outbreak a Public Health Emergency of International Concern on 30 January 2020, and a pandemic on 11 March 2020 (WHO, 2020). As of 2 May 2020, more than 3.34 million cases of COVID-19 have been reported in 187 countries and territories, resulting in more than 238,000 deaths. More than 1.05 million people have recovered (WHO, 2020).

Australia & New Zealand

Australia and New Zealand recognised the risk remaining inactive in preventing the spread of virus by early March 2020 (WHO, 2020). With a fraction of cases confirmed when compared to other countries in APAC, the multiple measures taken early by the Federal and Local Governments of both countries seem to have arrested the spread of the virus until the middle of May 2020.

Country	Confirmed	Deaths	Recovered
Global	4,911,902	323,579	1,701,024
Australia	7,079	100	6,446
New Zealand	1,503	21	1,442

Figures as of 20 May 2020 (WHO, 2020)

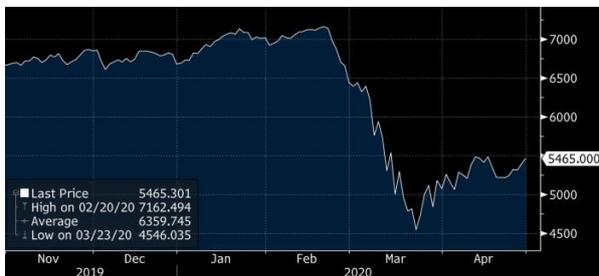
Business Effects on Industry

Economic Impacts

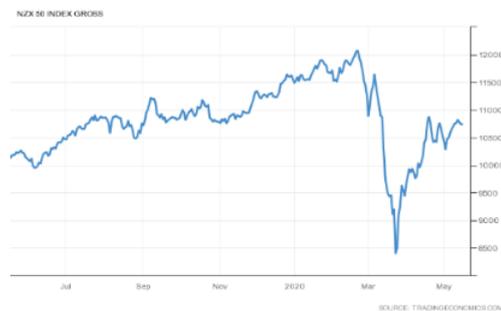
COVID-19 has had a negative impact on the economy across the AUS/NZ region. This can be seen through the changes in the Australian & New Zealand Share Markets, Dollar Exchange Rate and decline in consumer confidence. It is also expected that the unemployment rate will rise significantly in the next quarter.

Share Markets

ASX Nov 2019 – April 2020
(ABC, 2020)

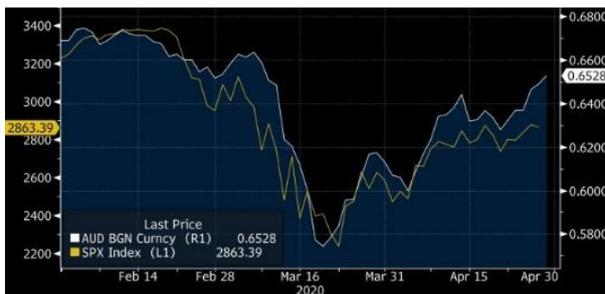


NZX
(Trading Economics, 2020)

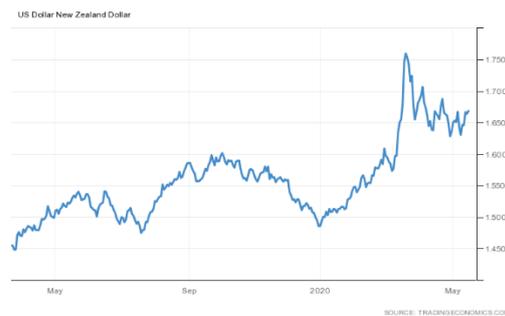


Currency Exchange Rates

Australian Dollar Feb – Apr 2020
(ABC, 2020)

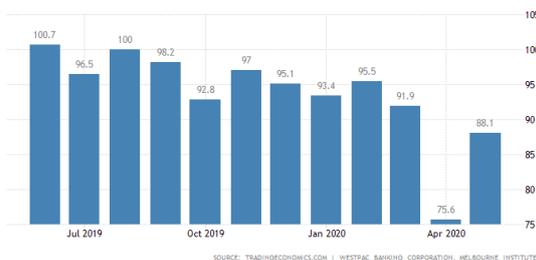


New Zealand Dollar
(Trading Economics, 2020)

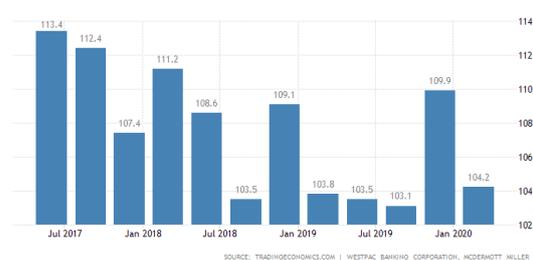


Consumer Confidence

Australian Consumer Confidence
(Trading Economics, 2020)



New Zealand Consumer Confidence
(Trading Economics, 2020)



Impact on Industry Wholesalers/Manufacturers

There has been a significant financial and operational impact on the Wholesalers and Manufacturers of the AUS/NZ Locksmith industry because of COVID-19. The member survey and interviews revealed that most Wholesale/Manufacturer participants have been affected by COVID-19.

Q1 Has your business been affected by COVID-19?

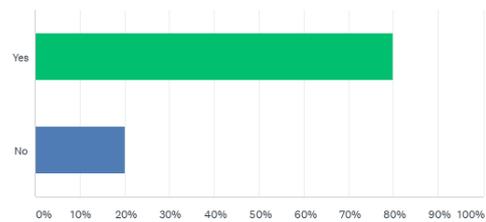


Figure 1- Results from MLAA Online April 2020 Survey

Operational

The operational effects of COVID-19 on the suppliers of the Locksmith industry are reported around the increase in sanitation, the closure of showrooms and the working from home for office and sales staff where applicable. For the remainder office and customer facing staff, social distancing measures were employed to ensure their safety.

Financial

Both the survey and interview data displayed a negative effect in turnover due to COVID-19 with this part of the industry. Those who chose to respond to the question reported a decrease of at least 20% in sales turnover since the crisis started, with 1 wholesaler reporting a decrease of 60%.

Q5 What is the estimated change to your business turnover since March 1, 2020, compared to the same period in 2019?

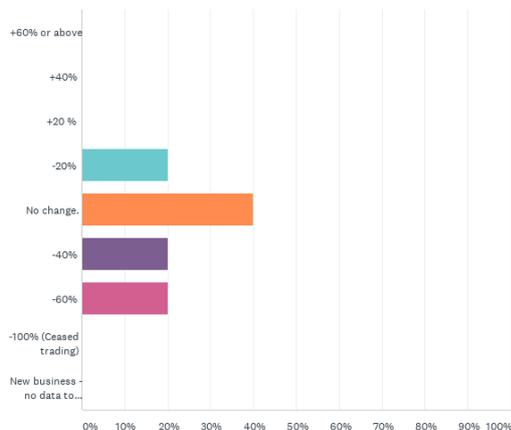


Figure 2 - Results from MLAA Online April 2020 Survey

The long-term view for manufacturers and wholesalers in the locksmith industry remains positive. Despite the decrease in turnover and the negative outlook reported by most of the respondents in the next 6 months, none reported the risk of closure beyond that period and all interviewed expect the industry to recover in the next 12-18 months.

Impact on Australian Locksmiths

The largest part of the MLAA member base, the Australian locksmith business members are demonstrating they are severely impacted by the COVID-19 crisis. Specifically, the survey and the interviews have revealed that 88% of the Australian locksmiths are adversely affected by the crisis.

Financial

The survey revealed that on a financial level, 88% of the Australian MLAA business members with 1-5 employees in their businesses have been adversely impacted. The percentage increases to 94% as the size of the business member surveyed increases beyond 21 employees.

Q5 What is the estimated change to your business turnover since March 1, 2020, compared to the same period in 2019?

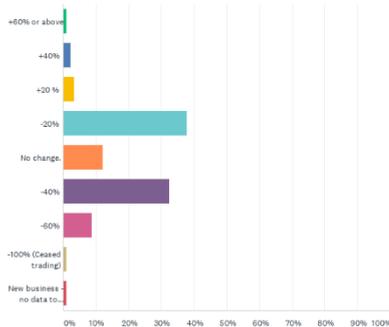


Figure 4 - Results from MLAA Online April 2020 Survey

Consequently, over 80% of Australia MLAA Locksmith business members have responded that they have applied for Federal and Local Government financial support packages.

Figure 5 - Results from MLAA Online April 2020 Survey

Q4 Has your total business turnover changed as a result of COVID-19?

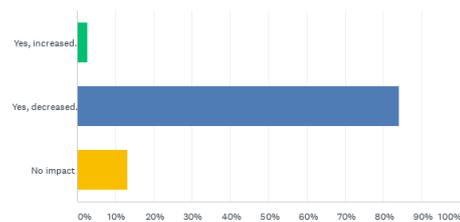
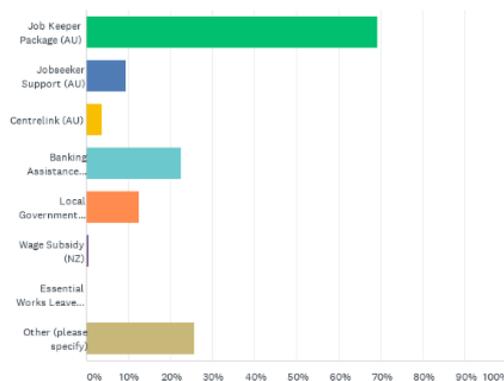


Figure 3 - Results from MLAA Online April 2020 Survey

A combined 68% of participants have experienced their turnover decrease by between 20-40%. Whilst two members have ceased trading at this time. This had led to a negative business outlook of the next 6 months from the by 45% of the Australian locksmith members. An average of 55% of respondents have indicated the areas of business decrease due to COVID-19 are predominately around project work, retail shop traffic and emergency work.

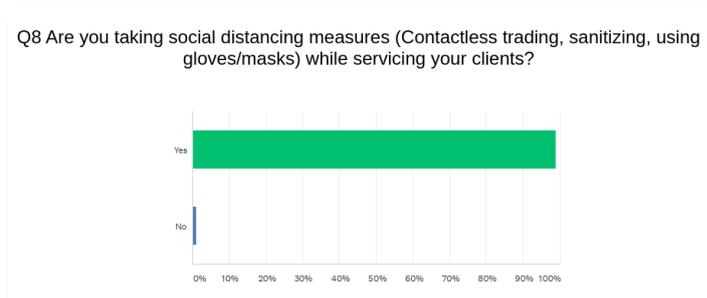
Q13 Which of the government stimulus/ assistance measures have you used or planning to use over the next 6 months?



Operational

Almost all business members from Australia interviewed and surveyed reported COVID-19 affecting the way they operate in their day to day.

Further to this 25% who have responded, reduced their operating hours and 22% reduced staff. Almost 70% of Australian respondents have resorted to reducing their stock levels to preserve resources, which would have a knock-on effect on the supplier side of the industry.



More than 96% are using social distancing measures in their day to day operations.

Figure 6 - Results from MLAA Online April 2020 Survey

Impact on New Zealand Locksmiths

Overview

New Zealand participants indicated a greater impact of COVID-19 on their business when compared to Australian contributors. This is most likely attributed to the stronger lockdown measures imposed by the New Zealand Federal Government than their Australian counterparts. The Alert Level 4 Lockdown measures commenced on the 26th March 2020 and lasted for one month.

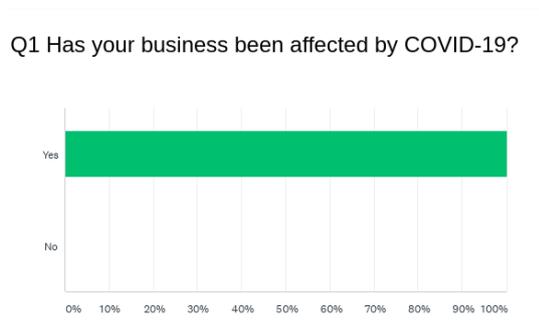


Figure 7 - Results from MLAA Online April 2020 Survey

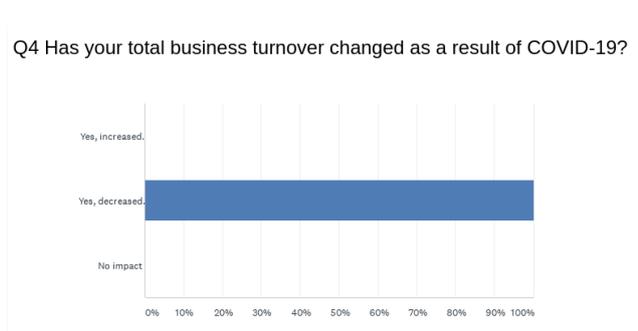


Figure 8 - Results from MLAA Online April 2020 Survey

Financial

Most of the NZ surveyed business members have reported a +60% reduction in their turnover since the beginning of the crisis.

This can be attributed to over 85% of respondents that have had project work cancelled, more than 75% have had their retail shop shut and more than 60% have seen a decrease in emergency work.

The flow on to a negative business outlook for the next 6 months represented by 45% of the New Zealand business

members (Locksmiths), is a similar result to Australian Locksmith participants.

Also like their Australian counterparts, 91% of New Zealand members have applied or will apply to access Federal assistance through Wage Subsidy.

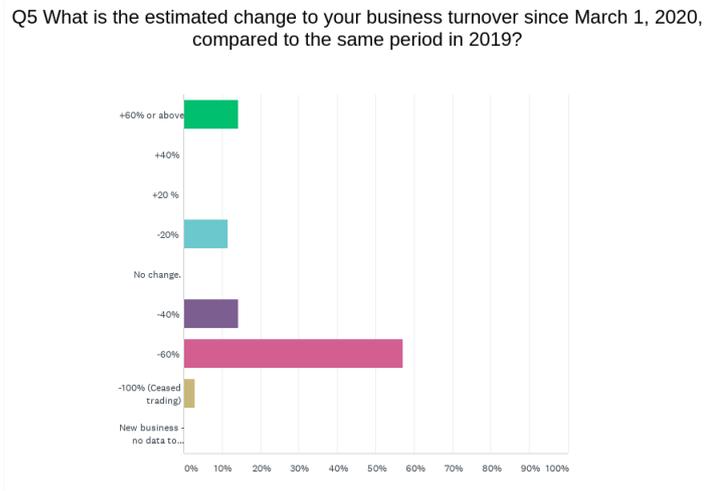


Figure 9 - Results from MLAA Online April 2020 Survey

Operational

The Alert Level 4 Federal Government measures had a significant operational impact on New Zealand Locksmith members. This comprised of mandatory closure of showrooms as well as the requirement that locksmiths only operate as an essential service.

Q12 What immediate measures have you taken for your business as a result of COVID-19?

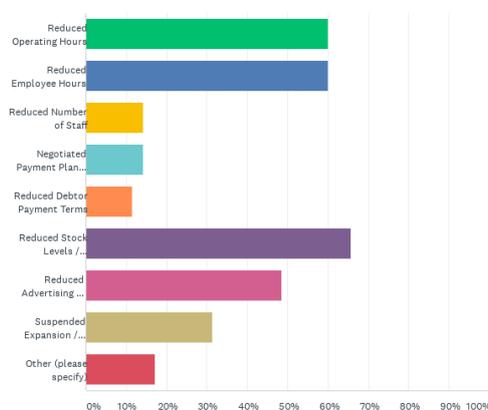


Figure 10 - Results from MLAA Online April 2020 Survey

Further, due to the crisis, 60% have reduced their operating hours, 13% have reduced their number of staff, 59% have reduced employee hours and over 60% of NZ members have reduced stock levels.

MLAA and The Crisis

Communications

Since March 13, the MLAA recognised the need to communicate and inform its business member base regarding any industry relevant COVID-19 developments. This led to email communications on 24 occasions to date. More than half of the EDM communications were NZ industry specific.

Frontline Response

Despite the increased amount of COVID-19 information flow to the member base via email, members also have been contacting the MLAA national support office with COVID-19 related questions. This is demonstrated through the increased volume of phone and email member enquiries by around 25% since March 13, 2020. According to the MLAA, the bulk of the additional enquiries relate to operational and HR response advice regarding COVID-19. Other enquiries were related to Mental Health and Financial concerns of members. This volume of queries is one of the largest in the last 7 years for the MLAA office.

Extraordinary Board Meeting Decisions

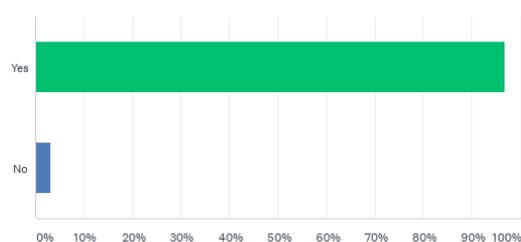
Further to the executive frontline response, the MLAA board met via Zoom to respond to the Crisis. It decided to address the impact of COVID-19 to its business and trade members through a Membership fee reduction by 50% for all trade and business members, the cancellation of May and June meetings, the cancellation of the both the New Zealand Training event and the John Andrew Apprentice of the year Competition as well as the cancellation of the National conference and Trade expo. The AGM will be moved to Melbourne as part of these board decisions.

Member Feedback

The MLAA response to the crisis has been well received with the COVID-19 impact survey and 1-1 interviews reporting a satisfaction rate of 96%.

Figure 11 - Results from MLAA Online April 2020 Survey

Q15 Are you satisfied with the MLAA's response to the Crisis?



Additional Research Findings

In addition to the above findings, the results of the survey and the interviews also uncovered the below for Australian & New Zealand members:

- The members feel that MLAA and the locksmith industry are NOT at long term risk.
- The impact of COVID-19 will accelerate the change of the product and service mix locksmiths seek to offer, more than 45% of locksmiths see the industry product and service mix changing after COVID-19.
- With more than 53% of respondents seeking new product and service training for their business, it appears that the downturn is used as an opportunity for businesses to diversify, i.e. Automotive, Electronic security, eCommerce.
- As society is adapting to the changes brought by COVID-19, social interactions will shift more day to day locksmith business functions online where less in person contact is required. This will transform the execution of tasks, like product presentations, training, meetings with customers, sales representatives and administration to a remote platform.
- Mental health support and HR support is needed. Most of the business members interviewed do not employ a dedicated HR person to manage these matters for them, leaving a service gap when they are required. These types of support measures were highly requested in the survey and they account for the largest portion of the increase in phone/email traffic to the MLAA support office since the crisis began. This proves that the demand is real.
- The most requested support item was a Weekly COVID-19 communication. If delivered, it will provide a less frequent communication result to the members, who have seen 24 region specific emails sent out in 8 weeks.
- Demand for contactless security, such as touch free access control, surveillance and monitoring is expected to grow in the future for the locksmith industry.
- Almost all the respondents interviewed across all segments of the industry have indicated that they expect an increase in demand for Electronic access control and video monitoring via CCTV as the public is becoming more aware of these types of technologies, especially after COVID-19.

Opportunities for the MLAA - Leveraging the Upswing

The regeneration of the industry once the health crisis measures are lifted will provide several opportunities for the MLAA to add value to its brand and to become more attractive to both existing and potential members.

Q17 What further support would you like the MLAA to offer to support its members affected by the COVID-19 Crisis? (Choose the top 4)

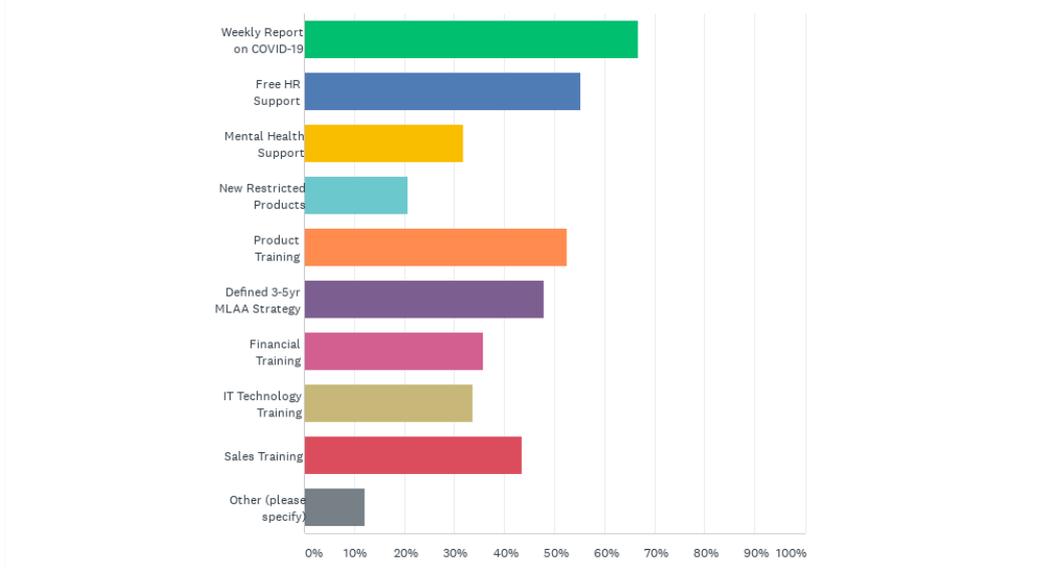


Figure 12 - Results from MLAA Online April 2020 Survey

Taking advantage of the following opportunities demonstrates a socially responsible approach by the MLAA. This will benefit both the association and more importantly its members. The MLAA will benefit through improved brand recognition, strengthened member loyalty and potential growth by attracting new members. Also, the implementation of a clearly defined strategy will allow the association to continue to grow in the unprecedented environment created by COVID-19. For members, benefits include access to tools that can improve their financial, mental, and social health for their businesses, employees, and the owners themselves.

Human Resources Support

The survey has indicated that the provision of Human Resource support by the MLAA would be beneficial to its members. As the average MLAA member size is less than 21 employees, they characteristically do not have an internal Human Resource department or easy access to Human Resource advice. This typically results in HR management being more reactive rather than proactive and without adequate advice. Further, since March 2020, most of the overflow of calls fielded by the MLAA were associated to HR activities i.e. reducing employee hours or

reducing the number of staff. With the 45% of all respondents having a negative business outlook for the next 6 months, streamlined access to HR advice appears more important to members than ever.

Mental Health

Another key request evident through the survey is MLAA's assistance in dealing with mental health issues. Worksafe have highlighted mental health as one of their top priorities post crisis (Worksafe, 2020). For our industry this is confirmed by 32% of respondents who have indicated mental health support important for their business during this time. Additionally, the number of phone calls to MLAA from concerned business owners relating to mental health of their employees, or even their own mental health, has increased since the beginning of the crisis. From the MLAA's perspective, providing this assistance to these vulnerable members, may possibly save lives during these tough times and beyond.

Financial Health

Respondents have indicated that financial and new product training would protect MLAA members. With the Australian & New Zealand economies experiencing increasingly trying times, a knowledge gap has been highlighted in financial management for many small business owners. This knowledge gap may originate from the TAFE years for MLAA members and could be moderated with online MLAA business training courses related to the locksmith industry.

Further, there appears to be an appetite for new income generated through product training fuelled by the belief by majority of the respondents that the industry will be adopting new products after COVID-19. The mix of these products will be guided by the increased adoption of terms like "contactless" and "remote" in everyday human life. This flow on to change demand for security provided by locksmiths, where the rate of transformation of mechanical security to contactless electronic security will be accelerated. MLAA endorsed, non-brand specific training programs for new products and services can improve member's profitability by adding additional income with electronic security, automotive or even ecommerce, while allowing them to remain relevant to the changing security industry.

Both initiatives can improve the financial security of MLAA business members and potentially insulate them from the uncertainty of the economic landscape ahead.

Social Health

The one-on-one interviews have highlighted the importance of social interaction between MLAA members. Throughout the crisis, MLAA members have sought help from fellow locksmiths, with 20% indicating they referred to other locksmiths to gain advice and support. An opportunity lies in strengthening these social ties and bring the industry together once physical distancing ends. This can be achieved through planned events and activities that have an objective to bring not only the MLAA but the whole locksmith society together. These events will highlight the value of the MLAA as a leading resource to the locksmith industry and provide a great platform for all members to interact, exchange ideas and strengthen the industry.

Strategy

Nearly half (47%) of all respondents in the online survey have requested the development of a strategic plan for the MLAA. A clearly defined strategy for the next 3-5 years will determine long term direction of the MLAA and prepare it even better for events like COVID-19. Further to this, the locksmith industry will be able to better face the current challenges it has as it moves into a post COVID-19 world.

The process of defining the strategy will promote discussion amongst the MLAA members and industry stakeholders and ultimately will allow the MLAA to demonstrate clarity on its present state and its future direction. A business activity plan that will go hand in hand with the newly defined strategy will identify the steps required, to achieve the long-term goals of the association starting from the next Financial Year 2020/21.

A clearly defined strategy will further benefit MLAA members as it will help their business to perform at its best, by adopting parts of it in their own strategy, so it could take full advantage of opportunities coming up in the next 3-5 years.

A Post COVID-19 World. What Lies Ahead?

Short Term Priorities

This global health crisis is quickly evolving into a financial crisis that will certainly impact the security industry. The below short-term priorities actions have been developed based on all the above findings to assist the MLAA navigate its members through the times ahead.

1. Establish a Human Resources Support Line

The development of a streamlined and state and country specific HR support line that offers free, in-house HR support to MLAA members. This will provide answers to the most common HR related questions asked by MLAA members and be a paid service when more business specific advice is required.

2. Develop a Mental Health Support Partnership

To initially ease the increased volume of calls to the MLAA due to COVID-19, partnering with a mental health support organisation that MLAA members can refer to is the first step. The investigation of bulk purchases of Employee Assistance Packages (EAP) will make this type of service more affordable to the MLAA member moving forward.

3. Develop a Financial Training Program

The MLAA is to investigate the development of a web-based, financial training program for its members. This program will target improvement of financial literacy, bookkeeping and basic financial planning for members businesses.

4. Develop a Product training Program

For those members who wish to explore how to diversify their business, MLAA is to create or source web-based training material that covers a range of product categories and services. Assistance can be sourced by industry suppliers, possibly TAFE, with no reference made to branded products to keep the training unbiased and skill focused.

5. Plan MLAA events and activities

Investigate and organise activities to bring the whole industry together once social distancing measures end. These events should facilitate the interaction of industry members and share their experiences coping with COVID-19, as well as highlight the value of the work the association has done during the crisis for its own members.

6. Define MLAA strategy for the next 5 years

Immediately commence the process of defining the MLAA strategy for the next 5 years. The aim should be to have this completed by the end of July 2020 to guide business activity in the next critical financial year.

Some Noteworthy Member Feedback - From Research

"A reduction in fees is precisely what my business needs right now, and it is welcomed"

"We would like advice on how to proceed with business as alert levels decrease"

"We need HR support, HSE support and some training to develop the staff"

"Provide information on how the virus persists on metals, doorknobs, for the safety of our staff."

"Keep the regular updates coming."

"Now is the time for businesses to look at other revenue streams, like developing an online shop or diversifying into electronic security"

"The increase in Crime throughout this crisis will be an opportunity for our industry. Jobkeeper needs to say on until the end of the year."

"Project work is keeping us afloat and the pipeline is reducing. With no residential outdoor work or shop trade, I will have to put my staff on Jobkeeper."

"We tackled this issue on three fronts, first, we wanted to protect our people, second our customers and third, our business trade"

"Technology will be pivotal in defining how we interact with, moving forward, from how we survey sites, how we present products, how we see reps from the suppliers should change."

"The government needs to stimulate the construction sector now to keep the economy turning after the health crisis ends as all project driven businesses will suffer if there is no stimulus."

"One of the roles that the MLAA will have at the end of the Crisis is to bring the industry together after a long time in isolation."

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Appendix

EDMs to Business Members as of 6 May 2020

Date	Title	Open Rate
13.03.2020	Federal Government Coronavirus Stimulus Package	64.9%
19.03.2020	COVID-19 Coronavirus Update for Business Members	62.4%
20.03.2020	Ministry of Social Development Support for Employers (NZ)	52.3%
24.03.2020	Jobs & Services Deemed "Essential" by the NZ Government (NZ)	55.0%
24.03.2020	5 Phase Lockdown Plan for Businesses	64.0%
25.03.2020	Government Fact Sheets for Businesses	65.0%
27.03.2020	Locksmithing Activities Under Stage 4 Lock Down in New Zealand	65.1%
30.03.2020	Wage Subsidy for Australian Businesses	59.8%
31.03.2020	COVID-19 Coronavirus Update for Business Members – Stage 3 Restrictions	64.2%
01.04.2020	Locksmiths as Essential Under a Stage 4 Lock Down in New Zealand (NZ)	55.4%
02.04.2020	Business Finance Guarantee Scheme – New Zealand (NZ)	49.1%
02.04.2020	State & Territory Business Support Summary	52.8%
06.04.2020	Essential Workers Leave Payment Scheme – New Zealand (NZ)	55.9%
08.04.2020	COVID-19 and Mental Health	51.1%
14.04.2020	JobKeeper and Amendments to the Fair Work Act	52.6%
16.04.2020	New Support for Small to Medium-Sized Businesses – New Zealand (NZ)	51.1%
22.04.2020	Locksmithing Activities Under Alert Level 3 in New Zealand (NZ)	46.8%
04.05.2020	Support for Small Businesses – New Zealand (NZ)	41.1%

COVID-19 Information

Date	Title	Open Rate
17.04.2020	COVID-19 Situational Analysis – Member Survey	57.7%
21.04.2020	COVID-19 Situational Analysis Member Survey Reminder	52.7%
27.04.2020	COVID-19 Situational Analysis Member Survey Closing Soon	49.1%
01.05.2020	COVID-19 Situational Analysis Member Survey Closing Monday	43.3%

Other

Date	Title	Open Rate
16.04.2020	Message from the National President	55.2%

MLAA Online COVID-19 Survey April 2020

The following summarises the results of the online survey that took place from 17th April – 11th May 2020. These results have been analysed and the findings have been used in the above analysis.