

COVID-19: Supply Chain Assessment

April 17, 2020 | Vol. 1, Issue 3

For 25 years, Energy Solutions has provided cost-effective, market-driven solutions that deliver reliable, large-scale impacts. We currently implement more than 100 upstream and midstream programs across 22 states and Canada for HVAC, foodservice, water heating, pumps, and lighting technologies. During this pandemic, we have been in frequent contact with our global, national and regional networks of distributors and manufacturers. We're surveying our trade allies to get a current snapshot of the market to bring you developments and updates to supply chain and market conditions that affect our clients' programs.

Method Review

The team gathered information across various technology areas and market actors to provide data on the following:

1. **Product Availability** — provides insight on observed and/or anticipated impacts related to product sourcing, assembling, and/or delivery.
2. **Equipment Sales** — provides insight on observed and/or anticipated impacts or company directives put in place regarding inside sales, indirect sales, counter sales, and availability of online sales.
3. **Service Providers / Contractors** — provides insight on company directives regarding delivering service to customers, e.g. are jobs suspended or are services deemed 'essential' and business as usual with social distancing in mind? If suspended or changed in any way, what are the impacts to the pipeline?
4. **Administrative / Application Submittal** — provides insight on company directives regarding work from home that may impact operations as well as participation in our client's programs.

Findings

1. Product Availability

- a. **HVAC** — North American factories remain operational, though some have been redesigned to support social distancing via partitions or other means. While many factories remain at 100%, others have reduced output while shifting focus to producing equipment for critical sectors such as healthcare. The likelihood of temporary shutdowns, quarantine of workers, and delays for cleaning of facilities is increasing.
- b. **Foodservice** — Inventory remains strong although demand for equipment is waning.
- c. **Water Heating** — Inventory and product delivery operations remain strong.
- d. **Pumps** — North American plants remain operational. Italian plants were shut down in February and March but are coming back online to 100%.
- e. **Lighting** — Inventory remains strong. Many factories in Asia have resumed 80% to 100% of production. Distributors are making large orders and stocking up in anticipation of the rush of orders when the pandemic restrictions lift.

For these updates, the Trade Ally Team has communicated with the following number of market actors per technology area:

	This Issue	Total to Date
HVAC	8	25
Foodservice	7	31
Water Heating	5	17
Pumps	1	6
Lighting	7	20
Grand Total	28	82

2. Equipment Sales

- a. **HVAC** — One large distributor reported a greater than 20% decline across all equipment sales. Another distributor is finding opportunity in helping their residential contractors sell products improving indoor air quality.

- b. **Foodservice** — Sales are down drastically—at least 50%. One distributor reported just two visits in the last week, down from the usual six to eight per day. Staff and storefront hours have been reduced.
- c. **Lighting** — Storefronts remain closed. Online sales continue to be placed and fulfilled, although sales are down.

3. Service Providers / Contractors

- a. **HVAC / Water Heating** — Service providers and contractors in Massachusetts are experiencing pent up demand and project delays due to fragmented jurisdiction processes that range from delaying final inspection to suspending new construction.

4. Administrative / Application Submittal

Across technology areas staffing has been widely affected. For staff not permitted to work from home, situations range as follows:

- a. Staff is placed on furlough with the understanding business will resume when the pandemic is over.
- b. Staff voluntarily leaves to be eligible for unemployment with assurances that they can return to their job when the pandemic is over and business picks back up.
- c. Staff has modified or staggered hours in efforts to maintain coverage and operations while reducing risk on site.

Currently, all upstream and midstream programs implemented by Energy Solutions are active and two new programs were launched in April, which are already showing strong market support and engagement. Across all our programs, rebates paid in the first week of April were down over weekly averages from January and February, but were still within the normal range of week-to-week fluctuation. The average sales date to application submission date continues to be 30-40 days, matching the trend seen in the first quarter of 2020. We expect to see a decrease in rebate volume in the last two weeks of April and will report on that in our next publication.

5. General

As of April 17, 2020, we still estimate the sales volume impact at END OF YEAR to be:

- a. **HVAC** — down 15% across all categories.
- b. **Foodservice** — down 30% across all categories.
- c. **Water Heating / Pumps** — down 15% across all categories.
- d. **Lighting** — down 20% across all categories.

Action Items / Moving Forward

- Energy Solutions will continue to communicate with the market and monitor trends.
- Energy Solutions has heard interest from clients in potentially increasing incentives and/or adding measures. In addition to the outreach for these publications, the Trade Ally Team will also gather market feedback regarding which incentives and measures should be targeted.

Industry Resources:

Foodservice: AutoQuotes is offering live data from the market to track quote volume. Over 95% of foodservice dealers across the nation use AutoQuote's comprehensive product database to quote projects and materials for sales.

<https://aq-fes.com/covid-19/>

Disclaimer: The COVID-19 virus pandemic is a rapidly evolving situation, and this is our best estimate of forecast impacts at this time with the information available. We will be continuously updating this forecast and adding details as more information becomes available and the actual impacts of the pandemic on the markets are felt. These updates will be versioned and dated so you can know at what time they apply.

To learn more about Energy Solutions' programs and services contact Jeff Johnston at :
jjohnston@energy-solution.com | www.energy-solution.com

Confidentiality Notice:
This document is confidential and contains proprietary information of Energy Solutions.