

# COVID-19: Supply Chain Assessment

May 1, 2020 | Vol. 1, Issue 4

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 staff resources that may impact operations as well as participation in our client's programs.

## Findings

### 1. Product Availability

- a. **HVAC** — Facilities remain operational, though one reported a brief shutdown for cleaning due to virus exposure. Inventory remains strong with minor delays in distribution.
- b. **Foodservice** — Facilities remain operational. Inventory remains strong. Availability of some overseas parts for new lines have been greatly inhibited by lead times, but basic commodity items have plenty of OEM parts in stock. Some dealer locations that were previously closed are now reopening for curbside pickup only.
- c. **Water Heating and Pumps** — North American and Italian factories are operational. Inventories remain strong.
- d. **Lighting** — Overseas factories are operational at 80-100%. Inventory is expected to remain strong.

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

	This Issue	Communications To Date
HVAC	11	36
Foodservice	9	40
Water Heating	2	19
Pumps	1	7
Lighting	3	23
Grand Total	26	125

### 2. Equipment Sales

- a. **HVAC** — Sales are steady, though the general expectation is that a minimum two month slow down and 20% down-tick overall is impending. One contact estimated it will take 8-12 weeks of a slow and rolling reopening to return to 'normal' (depending on official economic reopening process).
- b. **Foodservice** — Sales are down and "business is horrible". Secondary market sales of equipment may increase greatly during Q2 and Q3 of 2020, due to restaurant closures or lack of funds to pay for recently financed equipment. Secondary sales may inhibit sales of rebate or commodity items at dealers for the next few months.
- c. **Water Heating and Pumps** — Sales are down and have been slow.
- d. **Lighting** — Sales are steady and quote volume is increasing in preparation for when projects resume.

### 3. Service Providers / Contractors

- a. **HVAC** — Volumes of work reported from different market actors has ranged from “busier than ever” to “significantly down”. One contractor noted, “We normally have 35-40 technicians in the field. Currently, we have 16, which is an improvement from the 8-10 last week”.

Some contractors are maintaining steady work flow by targeting and prioritizing projects for temporarily vacated buildings such as schools, offices, and government buildings. Hospital and other critical public infrastructure projects are continuing.

- b. **Pumps** — Jobs are down 30%. The primary source of work is emergency jobs.

### 4. Administrative / Application Submittal

Across technology areas, staffing has been widely affected. Distributors will be looking closely at sales in the coming weeks to reevaluate staffing resources. Currently, the average sales date to application submission date continues to be 30-40 days, matching the trend we’ve seen in the first quarter of 2020.

### 5. General

As of May 1, 2020, we still estimate the sales volume impact across all categories at END OF YEAR to be:

- a. **HVAC:** down 15%
- b. **Foodservice:** down 30%
- c. **Water Heating/Pumps:** down 15%
- d. **Lighting:** down 20%

### 6. Market Insight

We’ve heard interest from clients in potentially increasing incentives and/or adding measures, so we asked the market for their feedback on what would have the largest impact. This is an ongoing effort. Please let us know if you have specific requests for measures in your program.

**Foodservice** — Recommended focusing on higher rebates toward refrigeration and freezers, as menu changes have shifted toward take-out and prepared foods.

### 7. Action Items / Moving Forward

Energy Solutions is continuing to explore new measures in partnerships with our trade allies to recommend effective market-based solutions that can be added to clients’ programs to increase savings.

Currently, all upstream and midstream programs implemented by Energy Solutions are active.

Rebates paid in the last four weeks vs. prior year-to-date weekly averages:



**HVAC down 20%**



**Foodservice down by 63%**



**Water Heating/Pumps up by 34%**



**Lighting down by 1%**

**Disclaimer:** The COVID-19 pandemic is a rapidly evolving situation, and this is our best estimate of impacts to forecast, 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.

