



# COVID-19: Supply Chain Assessment

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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 are surveying our trade allies to get a current snapshot of the market and inform you of developments and updates to supply chain and market conditions that affect our clients' programs.

## Method Review

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

1. **Product Availability** — insight on observed and/or anticipated impacts related to product sourcing, assembling, and/or delivery.
2. **Equipment Sales** — 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** — 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** — insight on company directives regarding staff resources that may impact operations as well as participation in our clients' programs.

## Findings

*Editors Note: While market activities appear to be recovering, (most notably HVAC rebates paid and applications submitted are up substantially) the actual results across all programs over the last two weeks are mixed. In our opinion this indicates that we are likely in a state of transition with results lagging supply chain readiness. We are monitoring closely and will continue to report on emerging trends.*

### 1. Product Availability

- a. **HVAC** — Multiple regional and national distributors have stated they are well stocked and, "ready to go." A large equipment manufacturer is forecasting increased demand for packaged rooftop units, air handlers and economizers as buildings are retrofitted to comply with new and emerging indoor air quality requirements.
- b. **Foodservice** — Product lines are generally well stocked and ready to serve. There are some exceptions with a few limited products impacted by overseas manufacturing delays, but how significant these impacts may be is unknown yet. Some dealers have started serving customers inside again while enforcing capacity limits, scheduled appointments, and the use of personal protective equipment.
- c. **Water Heating** — Manufacturers have reported production delays in Mexico of residential water heaters production as factories were deemed not essential and shut down. Commercial factories in the United States were not affected.
- d. **Lighting** — Inventory is strong with large shipments continuing to arrive from Asia.

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	5	56
Foodservice	9	61
Water Heating	3	32
Pumps	5	13
Lighting	3	35
Grand Total	25	197

Table 1

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:	Units submitted to programs comparing two weeks ago to now:
HVAC	UP by 23%	UP by 25%
Foodservice	DOWN by 37%	DOWN by 38%
Water Heating/Pumps	UP by 6%	DOWN by 37%
Lighting	DOWN by 34%	DOWN by 25%

Table 2

## 2. Equipment Sales

- HVAC** — Several large distributors noted that, while overall sales declined 20-40% in April, sales volume recovered somewhat in May and is expected to increase with the upcoming warmer weather. A California distributor noted that equipment bids last week were the highest seen over the last three months.
- Foodservice** — Equipment sales have been up 10-20% for most dealers since the last report. There is optimism that this points to a recovery stage. A major manufacturer of commercial cooking equipment stated that demand for used equipment is likely to increase in the next three to six months. A campaign is being planned to encourage customers to buy new equipment rather than used or repaired. Midstream rebates have been noted as an important tool in this campaign.
- Lighting** — A major manufacturer confirmed an upward trend in sales and quote volumes.

## 3. Service Providers / Contractors

Across product technologies, contractors are increasingly bringing staff back on.

- HVAC** — Convention center and public health infrastructure projects are delayed, heavily impacting forecasted workloads within the pipeline.
- Foodservice** — Many large projects and bids are experiencing delays as some essential stakeholders (e.g. inspectors) may not be available to be on site.
- Water Heating/Pumps** — Contractors in the Northeast have reported laying off staff but keeping technicians who can perform emergency services active and on call.

## 4. Administrative / Application Submittal

- One HVAC manufacturer communicated a three-phase return: **June** — most essential service staff return; **August** — most administrative staff return; and **September** — most sales staff return.
- Program promotions have largely driven program engagement and application submittals in the past months.

## 5. General

As of June 12, 2020, we still estimate the sales volume impact at END OF YEAR to be:

**HVAC:** down 15%      **Foodservice:** down 30%  
**Water Heating/Pumps:** down 15%      **Lighting:** down 20%

## 6. Market Insight

Research institutions, universities, and labs that have been working extensively on COVID-19 research have increased their purchasing of lab equipment to keep up with demand. A manufacturer noted that lab capital budgets come mostly from grants, positioning instant point-of-sales discounts as a great fit for ENERGY STAR certified ultra-low temperature refrigerators and freezers in Foodservice and HVAC programs that have refrigeration measures.

**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 continually 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.

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