

# 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 insight on company directives or market observations around the following categories: product availability, equipment sales, service providers/contractor impacts, and administrative impacts.

## Findings

### 1. PRODUCT AVAILABILITY

- a. **HVAC** — Multiple manufacturers are still working to catch up on cooling season orders, as supply chain processes were impacted by shutdowns, cleaning periods, and staffing logistics. Manufacturers have reported proactive efforts on stocking up on components and creating better systems for demand planning improvements as they look to pivot to the heating season and anticipated orders.
- b. **Water Heating** — A major manufacturer reported a notable market share gain as competitors are facing component sourcing issues that affect product availability.
- c. **Foodservice** — Manufacturers and industry associations are closely monitoring and anticipating major impacts to energy regulations from a new presidential administration. New energy efficient designs for equipment, programs, and resourcing will need to be offset due to expected stricter energy regulations.
- d. **Lighting** — Multiple manufacturers reported stocking issues with backorders on tubes and screw-in lamps. Distributors and representatives are rushing to place orders as lighting factories close their 2020 books by November 30th to allow time to ship all placed orders before end of year.
- e. **Life Sciences** — Manufacturers of ULT and laboratory grade refrigeration equipment report orders backed up to February 2021.

### 2. EQUIPMENT SALES

- a. **Across Technologies** — Pandemic restrictions on business openings and occupancy limits have reduced face-to-face equipment upselling opportunities, which has impacted sales of high efficiency equipment.
- b. **HVAC** — A major distributor reported that their previous forecast of 25% below projected revenue has been updated and is back on track at last year's levels. Some customers are shifting their usual travel and dining out budgets to high-end home upgrades, while others are opting for low-end units due to economic uncertainty. The bottom line is residential sales continue to boom.

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	128
Foodservice	18	148
Water Heating	12	76
Pumps	5	29
Lighting	8	106
<b>Grand Total</b>	<b>54</b>	<b>487</b>

Table 1

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- c. **Water Heating** — A major manufacturer reported large growth in residential sales and a large reduction in commercial sales. A regional distributor noted residential sales were “so good that it’s a challenge to keep inventory levels up”.
- d. **Foodservice** — Manufacturer representatives, partners that support regional equipment distribution management, confirmed their showrooms with test kitchens remain open for customers but with occupancy restrictions in place. Multiple distributors report slow but steady sales, as many restaurants are opting out of new purchases to focus on cost saving and building a ‘nest egg’ to survive the winter. Distributors are actively leveraging end-of-year promotions and circling back to previously quoted customers to rejuvenate and capture those sales.
- e. **Lighting** — Many distributors noted the fortuitous timing of end of year promotions to bolster sales to close out the year. One distributor noted that they are anticipating more small sales in 2021 as many of their customers may not have funds for larger projects.

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

Rebates paid in the last four weeks vs. 2020 year-to-date weekly averages:	
HVAC	UP 7%
Foodservice	UP 45%
Water Heating/ Pumps	UP 2%
Lighting	DOWN 31%

Table 2. Editor’s Note: Figures reflect a nationwide average. There are significant regional variations.

### 3. SERVICE PROVIDERS / CONTRACTORS

- a. **HVAC / Water Heating** — Project demand remains strong, particularly with school district customers. Demand is expected to continue and grow with the proposed ‘Keeping Schools Safe Act’ senate bill that is designed to fund indoor air quality upgrades in elementary and secondary schools.

### 4. ADMINISTRATIVE / APPLICATION SUBMITTAL

- a. Staffing resources continue be affected across all technologies and include a range of reports from no staffing impacts, to shutdowns due to COVID-19 exposure, to furloughs and rotating schedules to lay-offs. One Foodservice business reported that they have consolidated their physical space so that it can be rented out.

## Market Insight

- a. With the promising announcement of Moderna and Pfizer’s vaccine effectiveness, the challenges of vaccine distribution, storage, and delivery logistics are coming into the spotlight. Manufacturers are reporting unprecedented demand for ULT and lab grade freezers as stakeholders determine vaccine distribution approaches. One model is to establish ‘freezer farms’ that can serve as critical hubs for distribution.



Photo: AP

Energy Solutions is actively working with utility and program administrator clients to offer this important technology as a measure to encourage energy efficient sales. Point-of-sale cost reductions from a midstream program are well suited to the grant funding mechanisms and capital budgets of the research market, and can provide cost-effective, energy-savings measures.

As vaccine delivery pilots are conducted and plans are rolled out across the country, a midstream program that provides incentives for energy-efficient ultra-low temperature freezers and other lab-grade equipment not only supports this important effort, but can also provide rapid and cost-effective new measures to add to a savings portfolio.

**Disclaimer:** The COVID-19 pandemic is an evolving situation, and this report reflects our best estimate of market impacts 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.