

COVID-19: Supply Chain Assessment



January 29, 2021 | Vol. 2, Issue 1

Welcome to Volume 2. At the start of a new year, the up-and-down trend we saw in 2020 continues into 2021. As the country races to distribute the COVID-19 vaccine, Life Sciences programs are experiencing historic sales volumes, while other technologies are hitting supply chain slow downs. High demand at the end of 2020 spurred by promotions may be suppressing demand in early 2021 for some programs. Additionally, customers continue to manage costs tightly as many hunker down to survive until the vaccine brings relief. Contractors, having been sustained somewhat as they worked through the backlog of projects in the later part of last year, are seeing pipelines decline which may mean fewer projects on the immediate horizon.

It promises to be another unpredictable year - at least in the beginning and we look forward to launching new programs in 2021 that support the market and keep savings on track. We'll share news of those in the coming issues and we encourage our readers to give feedback for what they like about this series and what other things they want to see.

We hope you'll join us for our second Commercial Market Roundtable on February 10, 2021 at 10am Pacific when we'll discuss "Midstream in the Cold Chain: Meeting the COVID-19 Challenge." [Register here.](#)

Findings

1. Product Availability

- a. **HVAC / Water Heating** — A distributor reported supply chain issues are impacting materials, production, and shipment of units. For example, one order placed in October 2020 is expected to be filled in March 2021; and other orders are still pending a fulfillment date.
- b. **Life Sciences** — Manufacturers of cold storage equipment continue to experience historic sales volume. Demand is predicted to hold strong through 2021, though not all vaccine types will require specialized freezers. Currently, any units ordered in Q4 of 2020 will not be delivered until April 2021. To increase production, some manufacturers are running two 12-hour shifts instead of 8-hour shifts.

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

	This Issue	Communications to Date - Vol. 2
HVAC	9	9
Foodservice	18	18
Water Heating	7	7
Pumps	5	5
Lighting	6	6
Total	45	45

Table 1.

2. Equipment Sales

- a. **Foodservice** — Multiple dealers report strong sales at the end of 2020, thanks to regional promotions. Across the board, sales in the new year are tracking far below normal volume, as compared to this time last year, as much as 60% lower in some regions. Dealers have noted demand is down as some customers have permanently shut down and others are focused on keeping costs low, deferring non-critical equipment purchases and operating on slimmer margins due to dining restrictions. Many are bracing for another potential shut down in anticipation of a spike in infections as a result of the holiday gatherings. Dealers expect the next few months to be uncertain but are hopeful for government relief.

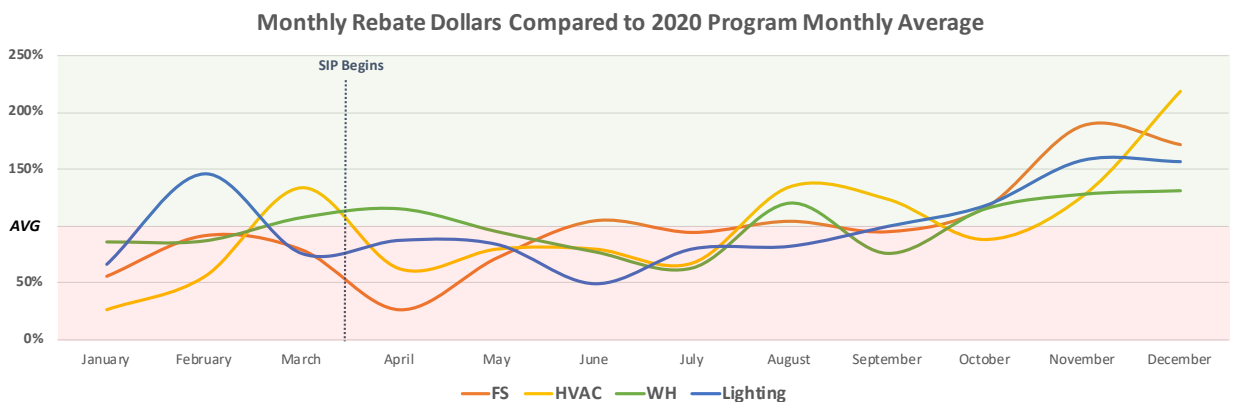
- b. Lighting** — Distributors report steady sales with strong demand for high bay and downlight equipment. There is slight concern among Distributors about the Design Lights Consortium (DLC) 5.0 updates potentially delisting some products that are currently in inventory.
- c. Life Sciences** — National vaccination efforts are driving and boosting demand by ~25-30% for cold storage equipment across all major population centers.

3. Service Providers / Contractors

- a. All** – Project backlogs sustained contractors across trades in 2020, but that surplus is drying up and there will be fewer projects for bid due to disruptions from the pandemic. Scheduled projects are also being disrupted and placed on hold as COVID-19 outbreaks occur. The heaviest regional impacts are expected in retail, office, lodging, and higher education sectors.
- b. HVAC** — Contractors note project demand is expected to grow in warehouses, data centers, and healthcare facilities as all have substantial needs for temperature control and ventilation.

4. Administrative / Application Submittal

- a.** Many distributors have reported that they are behind on incentive applications due to limited staffing resources and the holiday break.



Editor’s Note: This graph is an extension of the Volume 1, Issue 15 version. It has been updated to include December 2020 data.

All technology areas finished the year above their monthly average of rebate dollars paid. Most notably, **HVAC** stands out at over 200% in the month of December, as several large projects were completed and distributors rushed to clear backlogs before year end. **Foodservice** follows at roughly 175% in the month of December, which has recovered well compared to the April low point. We attribute the positive trend in Foodservice to promotional incentives and the addition of new measures. **Lighting** started 2020 strong but stalled through Q2 due to the pandemic. There was considerable bounce back in Q3 due to promotions with enhanced incentives which culminated in large year end pushes to leverage midstream programs and bolster sales. **Water Heating**, as an essential service, showed no discernible trend through 2020.

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

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.

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