

# COVID-19: Supply Chain Assessment



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Pandemic restrictions are easing up, but the same cannot be said about shipping delays and raw material shortages. Residual effects of the winter storms in Texas and the Ever Given incident in the Suez Canal back in March are still being felt and are likely to affect supply chains for months to come. An outbreak of COVID-19 in a major port in China has compounded the backlog and underscores the importance of having sufficient labor, something also felt by distributors and dealers. As reported last month, copper prices continue to fluctuate wildly.

China has announced it will try to manage its consumption of copper, and one of the biggest mines predicted it will fall short of demand despite increasing production by 2% this year. Despite these supply chain issues and the price increases that come with them, demand is strong and distributors and dealers are busy. Bids and quotes are being adjusted frequently to account for price increases and shipping delays.

## Findings

### 1. Product Availability

**a. HVAC** — Multiple manufacturers increased prices by 5% to 7% to account for “inflationary pressures” and material shortages. Distributors that forecast months in advance are reporting less trouble with stocking and more consistent sales.

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

**b. Water Heating** — Distributors continue to report historically high lead times, currently at 40 days from order to fulfillment. Manufacturers are capping order volumes to manage product availability.

**c. Foodservice** — Dealers report the supply chain delays are affecting nearly all measures now, with convection ovens and fryers being the most impacted. The biggest bottlenecks are getting containers out of ports and domestic freight logistics. Impending code changes in Massachusetts requiring all fryers, steamers and dishwashers to be ENERGY STAR rated is causing uncertainty among Foodservice dealers, who are waiting to learn more about how to plan their inventory.

	This Issue	Communications to Date – Vol. 2
HVAC	18	95
Foodservice	14	102
Water Heating	10	78
Pumps	24	58
Lighting	7	56
<b>Total</b>	<b>73</b>	<b>389</b>

Table 1.

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- d. **Lighting** — Distributors are concerned that increasing lead times may affect sales momentum, particularly in controlled products.

## 2. Equipment Sales

- a. **HVAC** — The pandemic has increased the importance of ventilation and indoor air quality. Equipment sales reflect these trends in product demand. Multiple distributors reported sales as being “way up” over 2020, some reporting as much as a 70% increase year over year, helped by stimulus funds. However, some customers are still recovering from last year’s losses and are not being aggressive with capital expenditures.
- b. **Foodservice** — Dealers across the country report being very busy and are having trouble keeping up with customer demand, fueled by decreased pandemic restrictions. Product delays are exacerbating this and stocking concerns are growing.
- c. **Lighting** — Large distributors in the northeast are reporting great months. Lighting sales typically slow down in the first half of the year, but in 2021 sales have been trending up.

## 3. Service Providers / Contractors

- a. **HVAC and Water Heating** — Contractors report the volume of projects and bids continue to increase. However, the supply of labor struggles to keep up with demand. In response, service providers and contractors are increasing wages and salaries, benefits and are offering signing bonuses.

## 4. Administrative / Application Submittal

- a. **Across Technologies** — Some distributors have reported plans to submit their backlog of claims as administrative staff return to in person work.
- b. **HVAC and Lighting** — Distributors report staffing shortages and are looking to hire to keep up with sales and claim submissions.
- c. **Foodservice** — Major design-build dealers report growing claim backlogs, as shipping delays currently extend to December. These delays are holding up claim submissions, as required information such as an invoice number is not available until an item ships.

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**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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