

SURVEY #2

IMPACT OF COVID-19: AFTERMARKET BUSINESS CONDITIONS SURVEY

Prepared by Automotive Industries Association of Canada

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WORLDPAC A stylized graphic of a truck cab and front grille, composed of a grid pattern of small squares. The word "WORLDPAC" is written in a bold, black, sans-serif font to the left of the truck icon.

RESPONDENT PROFILE

Total respondents:	n=438
Parts manufacturer	19
Major retailer	7
Wholesaler	31
Warehouse distributor	18
Mechanical & tire service	128
Collision repair shop	197
Quick lube shop	2
Other	35

Number of employees*:	n=438
1-6	167
7-25	203
26-100	27
101-1000	21
More than 1000	14
Other	5

*under normal circumstances

- Fieldwork: Conducted between Monday, 1st June, 2020 to Friday, 12th June, 2020
- Survey frame: Aftermarket business owners and employees across the 13 provinces and regions of Canada
- Fielding: Email invitation to an online survey

IMPACT OF COVID-19 ON BUSINESS OPERATIONS - OVERALL

VERY DISRUPTED – 34%

SLIGHTLY DISRUPTED – 57%

COMPLETELY SHUTDOWN – 1%

FUNCTIONING NORMALLY – 8%

This is the second survey of the series launched by AIA Canada. The aftermarket industry is in the fourth month of dealing with the COVID-19 pandemic. Emergency financial relief efforts from the government to slow down the pandemic were well-under way.

Additionally, the initial shock of lockdown and layoffs was starting to wear off and aftermarket businesses had a chance to take stock of their situation and report on their conditions.

Since this was the second survey, this report presents updated results on the impact and outlook for the aftermarket regarding COVID-19, including a comparative analysis with previous survey results. Click [here](#) for survey #1 full results.

Majority of aftermarket businesses (91%) report that they are ‘very to slightly disrupted’, while only 1% are completely shutdown. A further breakdown of the disrupted numbers reveals that only 34% of businesses are ‘very disrupted’, whereas 57% of businesses are ‘slightly disrupted’. Only 1% of businesses had to ‘completely shutdown’.

Of the 8% of businesses that are ‘functioning normally’, 26% report revenue increase of 1-10% in May 2020; 28% forecast no changes to revenue in June 2020; and a further 44% forecast that revenue will remain unchanged for July 2020.

IMPACT OF COVID-19 ON BUSINESS OPERATIONS - DISRUPTED

Change in revenue of '**very disrupted**' - 34%:

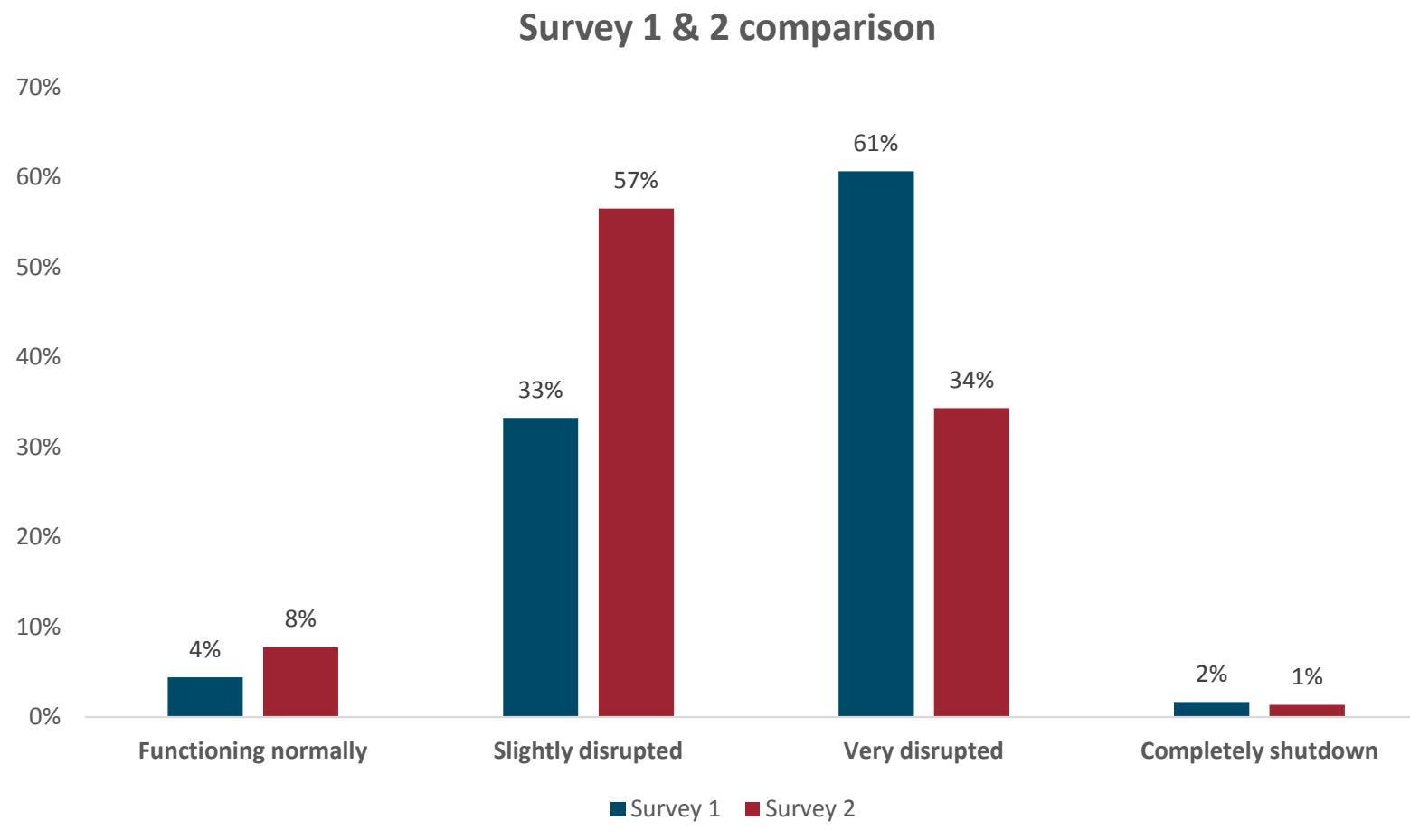
	↑ 10% & up	↑ 1-10%	↔ +/-	↓ 1-10%	↓ 11-20%	↓ 21-30%	↓ 31-40%	↓ 50% or more
May 2020	3%	1%	0%	3%	8%	15%	24%	46%
June 2020*	4%	2%	3%	6%	12%	17%	31%	26%
July 2020*	5%	0%	5%	7%	17%	19%	26%	21%

Change in revenue of '**slightly disrupted**' - 57%:

	↑ 10% & up	↑ 1-10%	↔ +/-	↓ 1-10%	↓ 11-20%	↓ 21-30%	↓ 31-40%	↓ 50% or more
May 2020	3%	7%	6%	15%	22%	20%	20%	7%
June 2020*	2%	8%	13%	21%	20%	19%	13%	4%
July 2020*	2%	5%	19%	20%	21%	18%	10%	5%

*approx. forecast

IMPACT OF COVID-19 ON BUSINESS OPERATIONS - COMPARISON



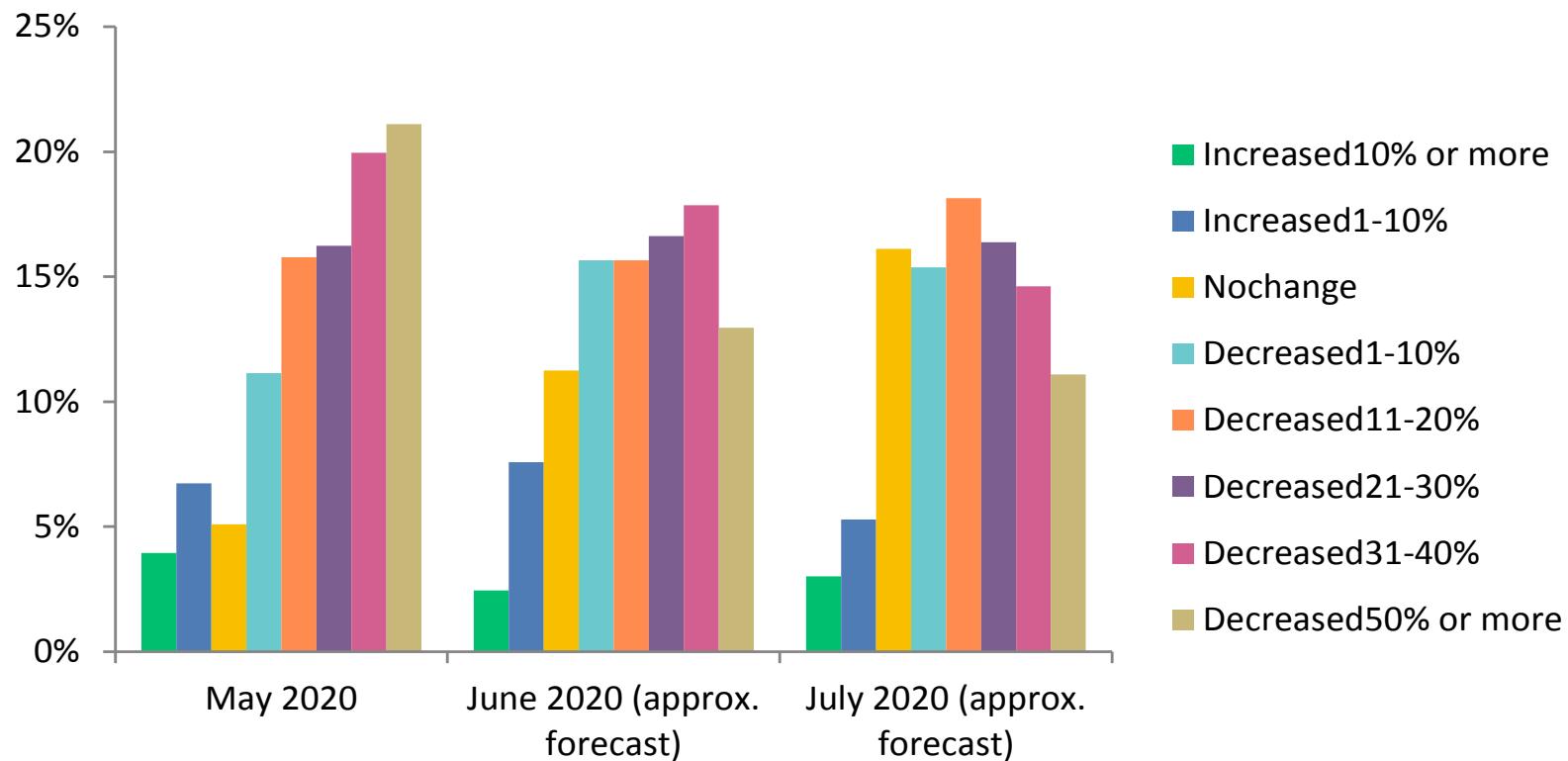
When compared to overall businesses reporting as 'disrupted' (94%) in survey #1, the results are consistent with 91% of businesses reporting the same in survey #2. The stark contrast is in how the disruption is spread out.

In survey#1, 61% of businesses reported as 'very disrupted', whereas in the current survey, the number drops by almost half as 34% of businesses report being 'very disrupted'.

Similarly, in the 'slightly disrupted' category, the number climbs from 33% of businesses reporting slight disruption in survey #1 to 57% in survey #2.

CHANGE IN REVENUE FOR ALL RESPONDENTS:

Compared to 2019, to what extent has your revenue changed for the following months:



The survey results clearly highlight that over half (57%) of respondents reported moderate to severe impact on their revenues in May 2020.

However, the numbers seem to stabilize for projections for June and July 2020. Only 13% of businesses forecast loss of revenue by 50% or more, whereas 51% of businesses forecast revenue decrease between 1-40% for June 2020.

The responses for July 2020 indicate that while business confidence is climbing, a high level of uncertainty still persists. Roughly half of businesses (49%) still expect a decrease in revenue in the range of 1-30%.

CURRENT CONDITIONS RELATED TO BUSINESS OPERATIONS

Are you currently operating with:	Survey #2	Survey #1
Increased safety and sanitizing practices	76%	84%
Events, conferences and meetings cancelled	38%	43%
Reduced operating hours	28%	33%
Offering curbside pickup and home delivery	25%	34%
Other	11%	10%

Comments:

“Plants in full operation. All office, sales, marketing, management working from home”

“Business was slow due to customers anxiety over money”

“Doors locked, people drop keys and we leave cars out front to pick up, no human interaction”

“business significantly down”

From a business operations standpoint, the outlook is more stable compared to results from survey #1. The slight decrease in ‘safety and sanitizing practices’ (76%) could potentially be because of increased costs of cleaning and sanitizing vehicles. Both Manitoba Public Insurance (MPI) and Insurance Corporation of BC (ICBC) have offered temporary allowance to repair & collision shops for sanitizing customer vehicles to help reduce the spread of COVID-19.

The rest of the data points indicate that the industry is taking reasonable steps to implement physical distancing and other safety measures to keep their staff and customers safe, and their businesses afloat.

CURRENT CONDITIONS RELATED TO STAFFING & HR

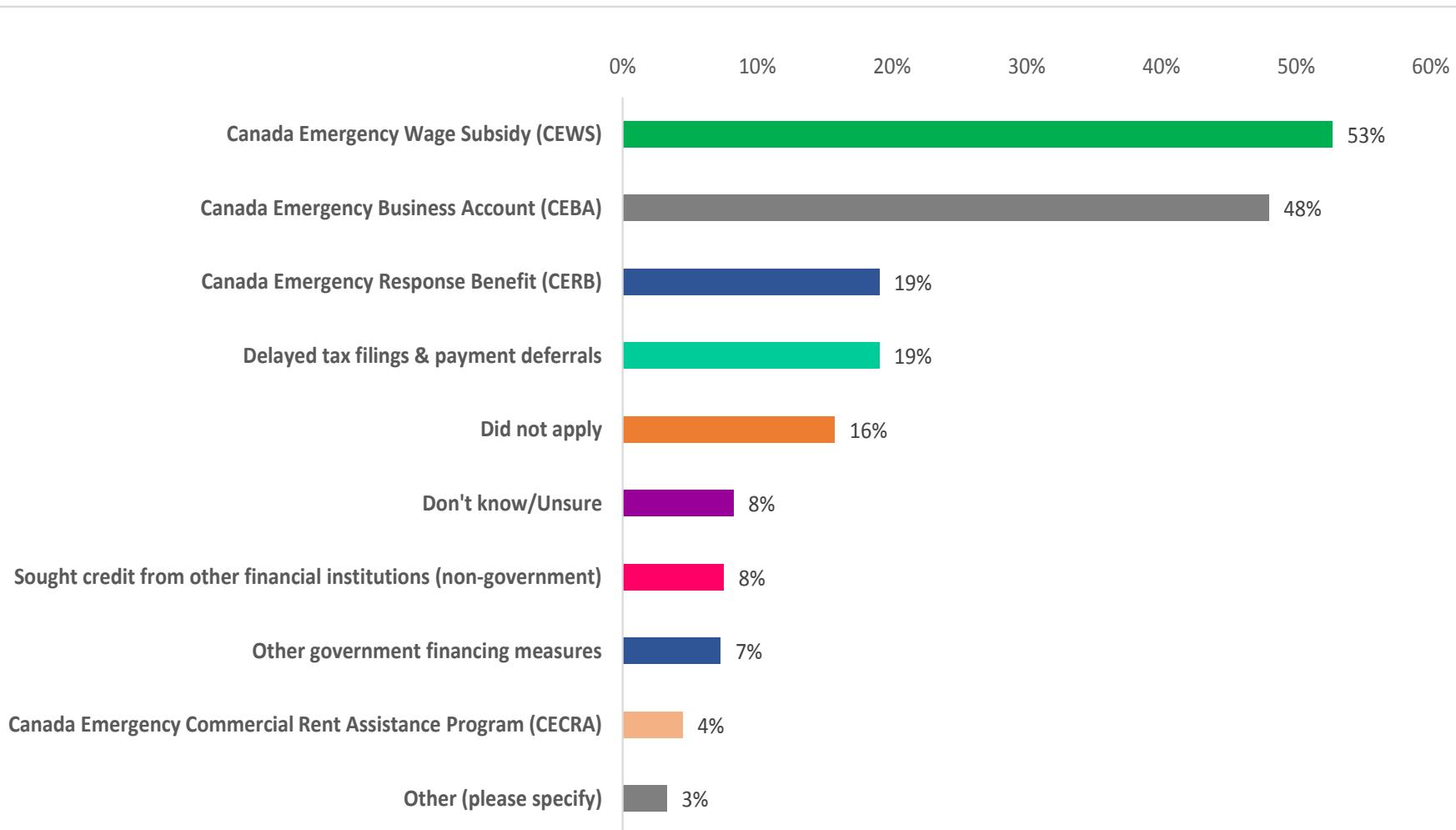
Are you currently operating with:	Survey #2	Survey #1
Employees laid off due to reduced business	47%	61%
Reduced productivity due to current staffing conditions	33%	41%
Re-hiring laid off employees	24%	15%
Employees working from home	16%	22%
Employees on sick leave due to illness or self-isolation (related to COVID-19)	13%	22%

Comments:

“Actually extremely busy. Sales are way up.”
“Employees on reduced hours”
“Operated with less staff - no one laid off - all paid FT. We did 5 on 5 off and operated with 50% staff. It was too busy to operate with 1/2 staff not busy enough for full. We are back to full time.”
“shutdown due to lack of staff”
“were slow for 2 months-now getting back to normal and busier”

The impact of reduced businesses seems to be stabilizing with less than half (47%) of businesses reporting laying off staff as compared to 61% of respondents in survey #1. Productivity is showing a slight improvement at 31%, along with fewer businesses (16%) reporting employees working from home. Another significant improvement for the sector is businesses (24%) being able to re-hire previously laid off staff. This may be due to the relief measures offered by the government which may help offset some of the HR related expenses.

FINANCIAL SUPPORT MEASURES FOR THE AFTERMARKET



The survey results indicate that 87% of aftermarket businesses sought one or more types of financial assistance either from the government and/or through private sources.

Those who ‘did not apply’ (9%) or were ‘unsure’ (4%) either did not qualify, were unaware of these measures, or did not want to “pay back extra” in the future.

The results from the previous slide can be extrapolated to indicate that relief measures offered by the government are proving to be effective for the aftermarket industry.

SUPPLY CHAIN (PARTS/MATERIALS) CHALLENGES

Are you currently operating with:	Survey #2	Survey #1
Delays in obtaining vehicle parts, etc.	68%	59%
Disruptions experienced by suppliers	57%	51%
Unable to offer my products/services goods due to disrupted supply chains	13%	12%
Other	13%	18%

Comments:

"Safety Supplies have some delays"
"nothing significant"
"Weekly parts deliveries instead of daily"
"Suppliers not delivering parts"
"Delays in shipping from USA"

Supply chain delays have increased slightly (68%) since the last survey in May 2020. A qualitative analysis of responses (13%) under this question indicate that supply chain delays are a low priority issue for most aftermarket businesses owing to the fact that most of them are not functioning at 100% capacity themselves.

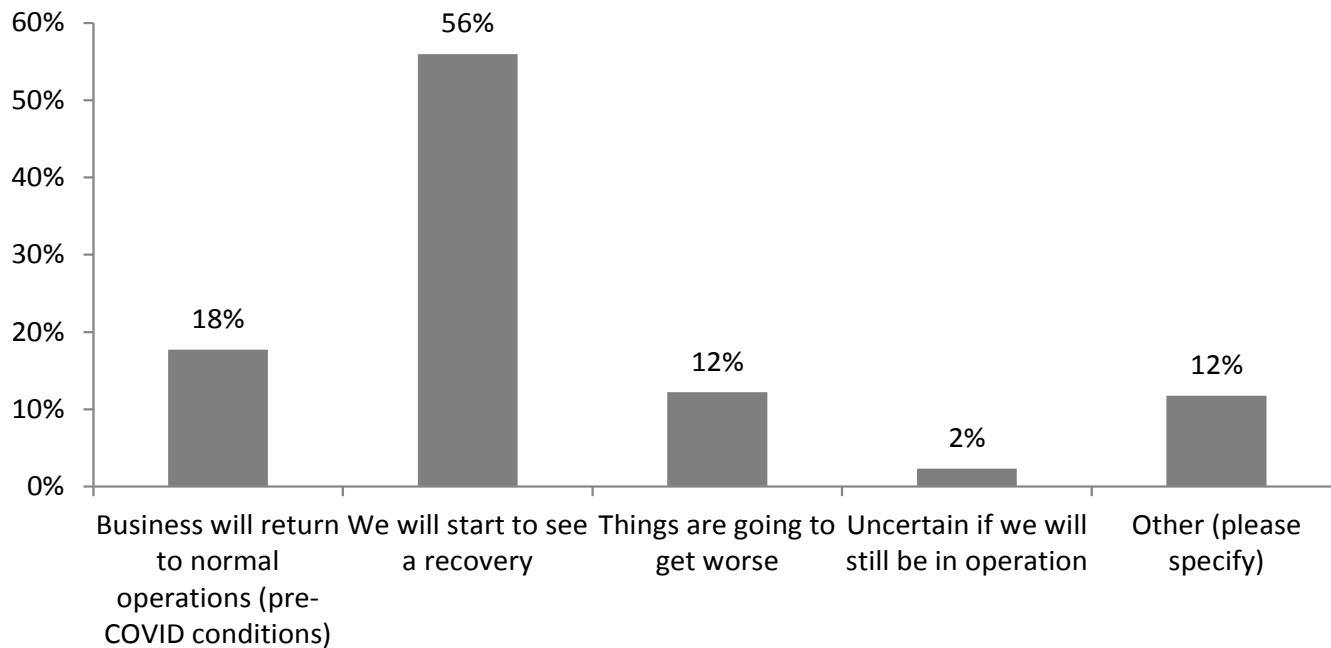
Businesses do report delays in obtaining PPEs (personal protective equipment) given the increase in safety and sanitation practices. Open-ended comments also indicate that most delays on vehicle parts are from US warehouses.

BUSINESS OUTLOOK CONFIDENCE LEVELS

56%
RECOVERY

12%
GET WORSE

What is the most likely forecast for your business for the next 30 days:

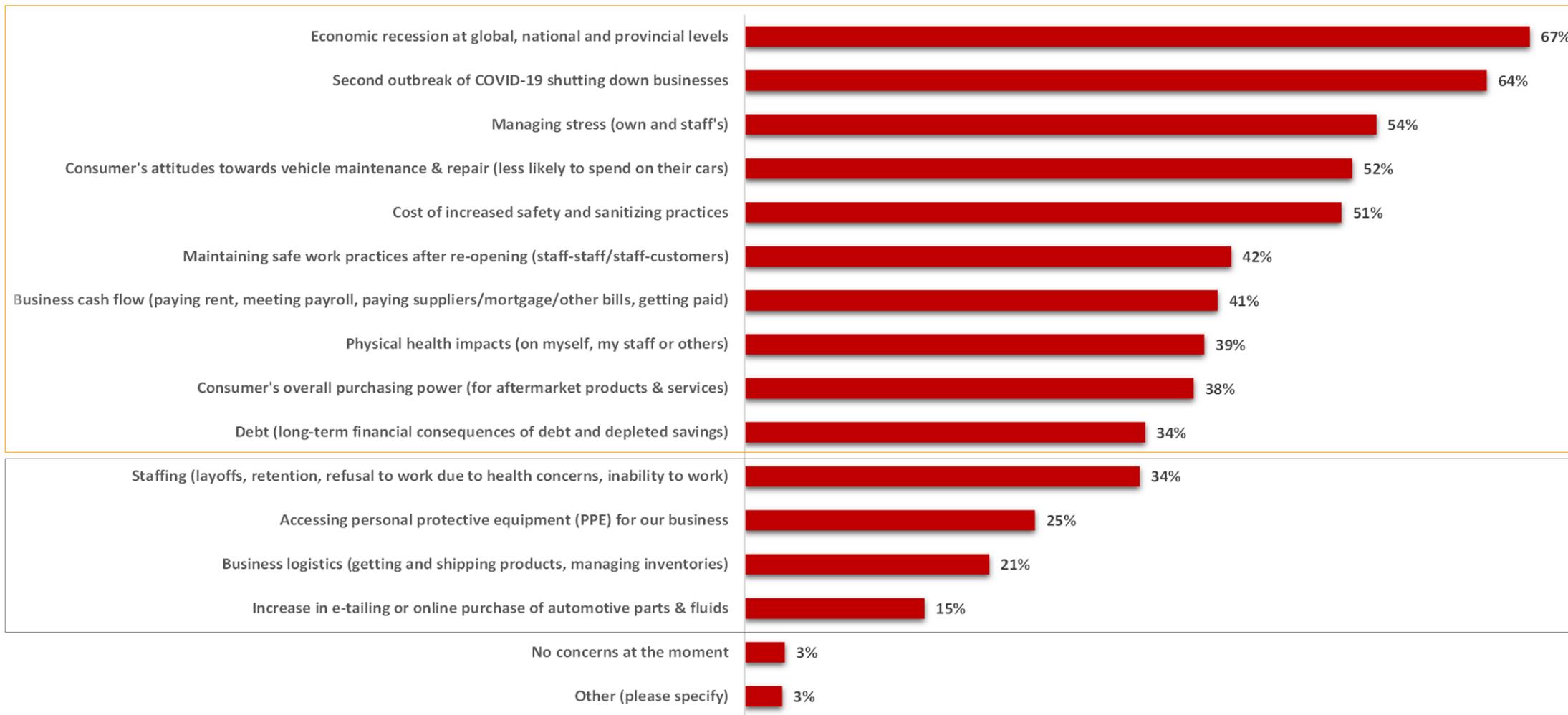


Compared to survey #1 results, confidence levels are fairly high. 56% of respondents expect to see a recovery, compared to 42% in the last survey. Similarly, 18% of respondents believe business will return to 'pre-COVID conditions', whereas only 6% indicated that in survey #1.

In the same vein, only 12% of respondents forecast that 'things will get worse' as compared to a sizeable 30% in the previous survey. This comes with the caveat that the economy continues to gradually open up, vehicle usage increases, and demand returns.

The survey results indicate that while aftermarket businesses are fairly optimistic, they (12%) acknowledge that the business environment is still highly uncertain. The next slide deep dives into the top 10 concerns of aftermarket businesses in the coming months.

MAIN CONCERNS OF AFTERMARKET BUSINESSES



Top 10
industry
concerns

Low
priority
concerns

INDUSTRY CHALLENGES

'Are there any other challenges that you would like to share?' Some of the responses to this open-ended question include:*

- *"I believe overall economy is in a false bubble - with Federal money injected into economy, and debt deferral programs. People are being INCENTIVIZED NOT to work, and I don't feel many will have jobs (that they think they will) when this settles."*
- *"The challenge will be if everyone continues to practice safe health procedures or will they get lazy and go back to previous practices."*
- *"I feel the government is not opening up fast enough."*
- *"The hospitals have lots of empty beds and can handle any further emergencies. For those that are vulnerable, they need to take care, for the rest, we need to get back at it!"*
- *"The automotive underground will grow. As people have less money to spend they will be looking for cheap, not insured, No WSIB places to do their repairs."*
- *"We need to open all business! Have the most vulnerable stay home. If not our country will be in extremely bad shape in fall and next year. Government cannot support everyone for ever!"*

*comments appear verbatim

KEY TAKEAWAYS

- **91% of businesses report being disrupted.** A further breakdown reveals 34% of businesses are ‘very disrupted’ while 61% of businesses are ‘slightly disrupted’.
- A small percentage (**1%**) of respondents had to close down operations while another **8% report that they are functioning normally.**
- 57% of respondents report **moderate to severe impact** on their revenues in May 2020. However, businesses seem to be stabilizing in their forecasts for June and July 2020 with only 13% of businesses and 11% of businesses reporting loss of revenue by 50% or more respectively.
- These data points indicate that the **industry is taking reasonable steps to implement physical distancing** and other safety measures to keep their staff and customers safe:
 - Increased safety and sanitizing practices - 76%
 - Reduced operating hours - 28%
 - Offering curbside pickup and home delivery - 25%
- Less than half (47%) of businesses report laying off staff while productivity is showing a slight improvement at 31%. Another significant improvement for the sector is **24% of businesses indicating they are able to re-hire previously laid off staff.**

KEY TAKEAWAYS - CONTINUED

- **87% of aftermarket businesses sought** one or more types of **financial assistance** either from the government and/or through private sources.
- **9% of businesses ‘did not apply’** and 4% were ‘unsure’ indicating that either they did not qualify, were unaware of these measures, or did not want to “pay back extra” in the future.
- When it comes to **supply chain challenges**, aftermarket businesses reported on the following:
 - Delays in obtaining vehicle parts, etc. - 68%
 - Disruptions experienced by suppliers - 57%
 - Unable to offer my products/services goods due to disrupted supply chains – 13%
- The business outlook is **still highly uncertain**. Industry is fairly optimistic with over half of respondents (56%) thinking that a recovery is possible in the coming months while only 12% expect the situation to worsen. A decent percentage (18%) believe that business will return to pre-COVID conditions while some businesses (2%) have raised doubts if they will even be in operation.
- **Top three industry concerns** of aftermarket businesses are:
 - Economic recession at global, national and provincial levels - 67%
 - Second outbreak of COVID-19 shutting down businesses - 64%
 - Managing stress (own and staff’s) - 54%