

# COVID-19 – Industrial Impact Survey

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# Background and Key Findings

# Background

- Omdia set out to better understand the impact COVID-19 is currently having, and will continue to have, during the remainder of 2020 on the numerous industrial markets we research on a daily basis.
- To accomplish this, we surveyed hundreds of industry experts across six primary industry sectors including:
  - Healthcare
  - Manufacturing
  - Physical Security
  - Critical Communications
  - Smart Building
  - Energy & Utilities
- In total Omdia received 785 responses to the survey (333 complete surveys + 452 partial surveys). The number of respondents for each question varies slightly as not all questions in the survey were mandatory. To provide a consistent viewpoint across questions the data is typically presented as a percent share of the respondents answers.
- Additional questions were asked to identify demographic data of the company from which respondents were from.

# Key findings

- COVID-19 is being viewed as a catalyst, accelerating change that most likely would have taken place anyway. The companies that are most proactive in implementing both practical as well as digital solutions to the current market challenges will be well positioned to capitalize on future growth opportunities.
  - Lower demand, procuring materials, and staffing operations were ranked as the top three challenges over the next six months.
  - Approximately 59% of respondents reported a decrease to their current order book when compared to the same time in 2019.
  - Furthermore, 60% of respondents said their lead times were either flat, better, or much better than the same time in 2019.
  - Just under half (47%) of manufacturing / industrial automation respondents reported a revenue decline in Q1 of 2020.
- Overall the impact of COVID-19 has been negative for supply chain logistics, with around 43% of respondents reporting their supply chain being somewhat impacted.
- The mega trend of digitization has quickened in pace since the outset of the COVID-19 pandemic, leading to increased focus on remote working, monitoring, assistance as well as a digital transformation to the supply chain. High demand for digital services will be reflected in other parts of the technology supply chain.
- Omdia's view is that while many companies were able to weather the initial storm in Q1 and Q2 2020, the prolonged issues of lower market demand, supply chain disruptions, and reduced capital investment will be difficult to overcome for most industrial companies in the short term. It is likely the impact of COVID-19 will continue to be felt throughout the remainder of 2020 and even into 2021.

# Survey Responses

# Survey participants predominantly came from manufacturing (including industrial automation) with nearly 50% of responses



HEALTHCARE

Percent of survey responses:

11%



MANUFACTURING

Percent of survey responses:

48%



PHYSICAL SECURITY

Percent of survey responses:

2%



CRITICAL COMMUNICATIONS

Percent of survey responses:

6%



SMART BUILDING

Percent of survey responses:

2%



ENERGY & UTILITIES

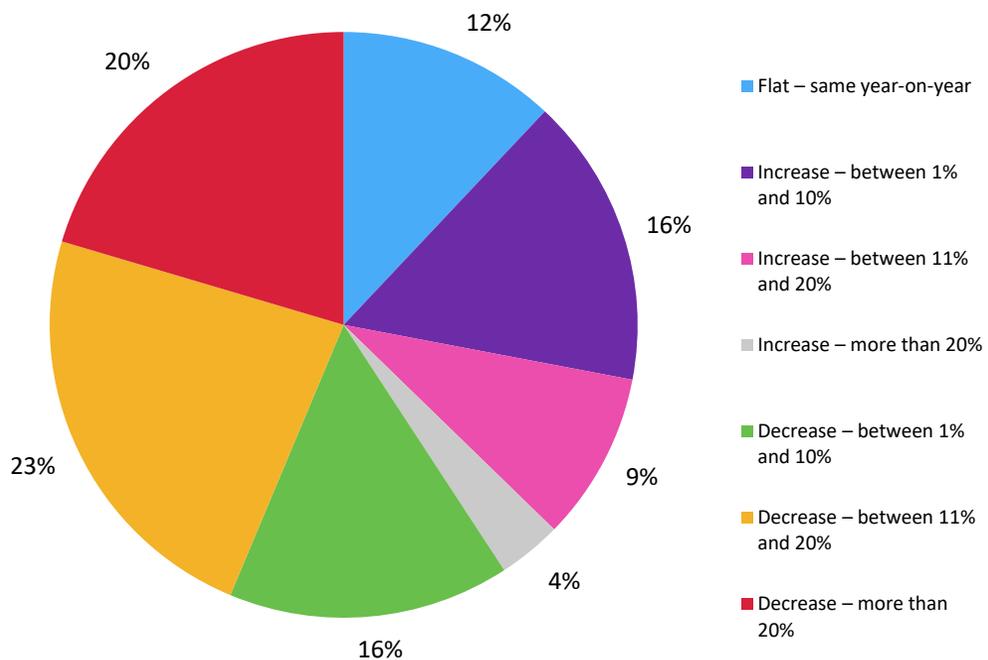
Percent of survey responses:

5%

\*Other industries totaled 26% of survey responses.

# Order books are down for 59% of companies and lead times are worse or much worse for 40% when compared to 2019

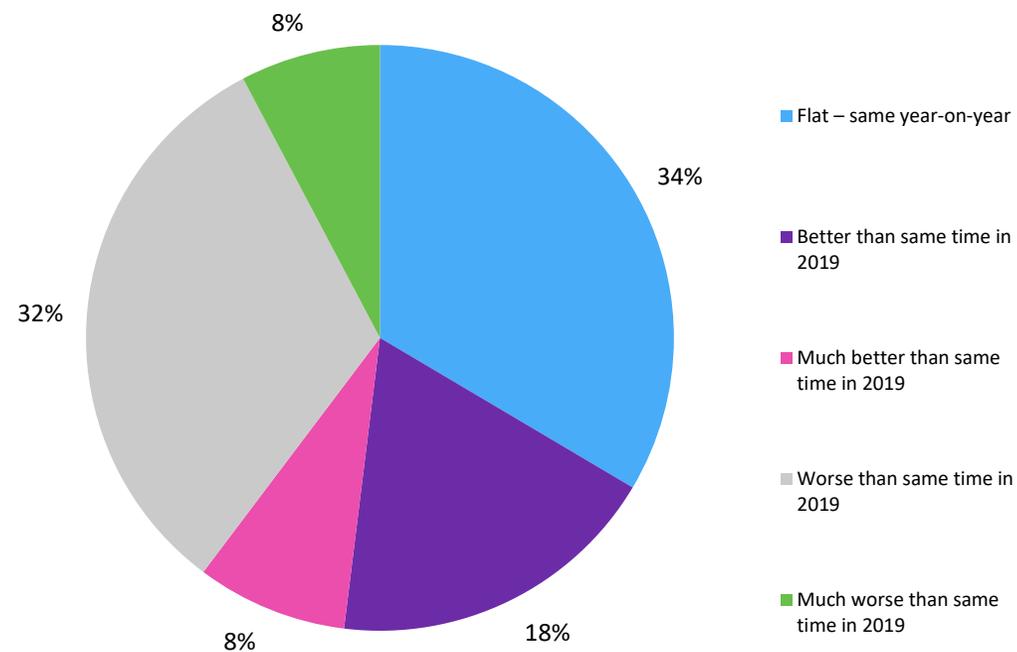
How does your overall order book as of today compare to this time in 2019?



Source: Omdia

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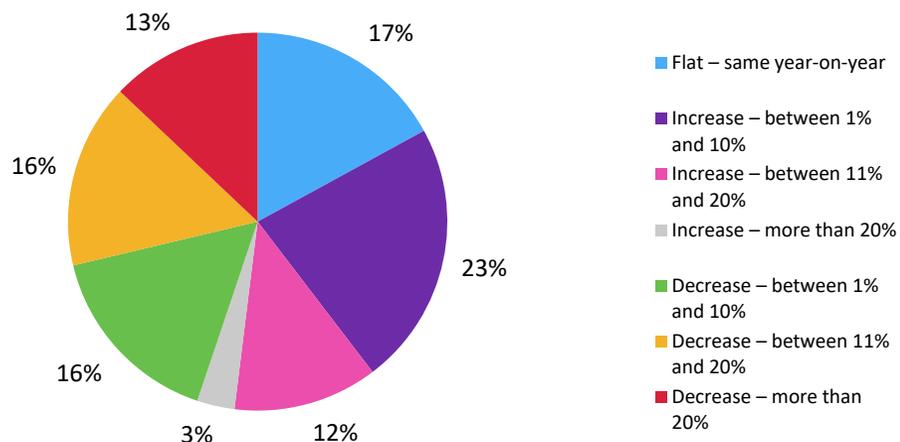
How do your lead times as of today compare to this time in 2019?



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# Revenue 2020 vs. 2019

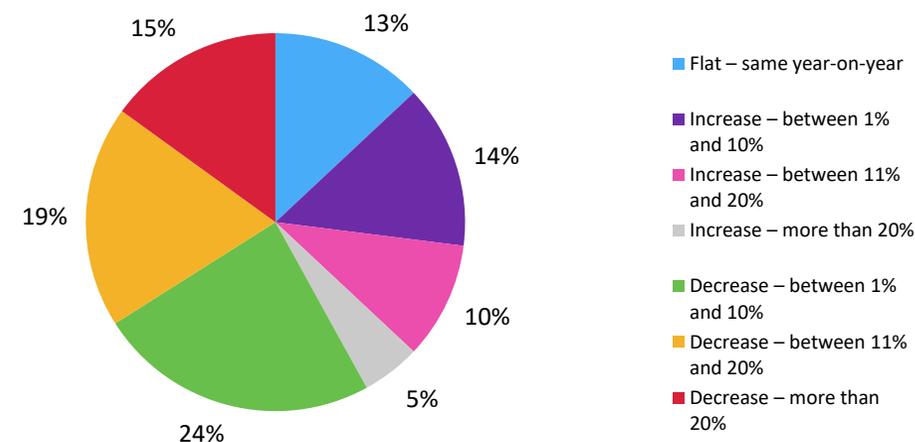
How did your overall Q1 2020 revenue close vs. Q1 2019?



Source: Omdia

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How do you expect your 2020 revenues to close vs. 2019 annual revenue?



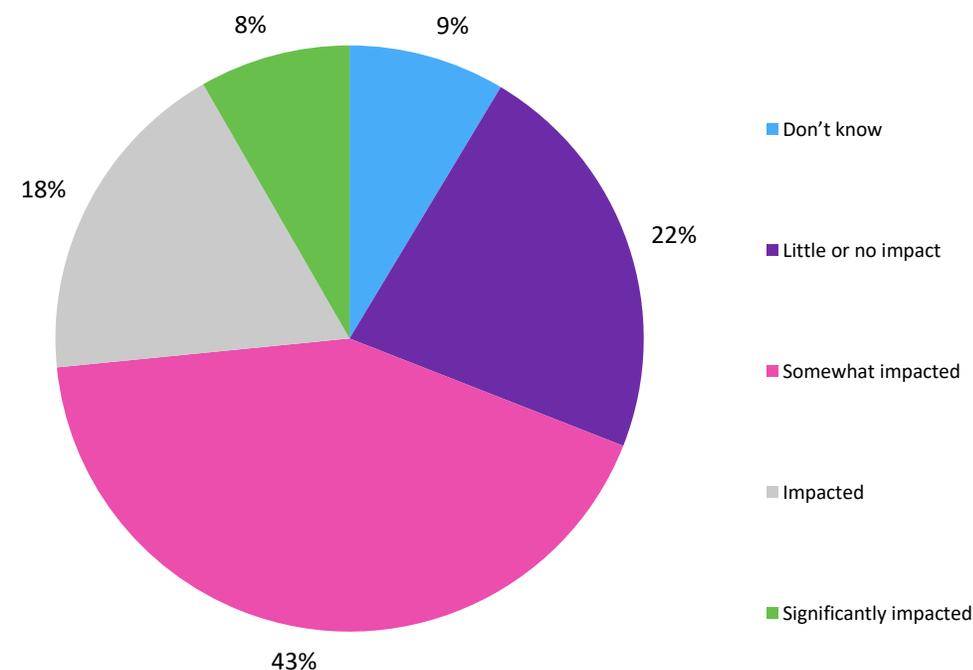
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- While the majority of companies (52%) are reporting either flat or increasing revenue in Q1 2020, the overriding sentiment is that the remainder of 2020 will be much harder impacted by the COVID-19 pandemic. At the close of 2020, 58% of companies are expecting a revenue decline for the full calendar year.
- The largest shift in revenue expectations was seen in the “Decrease between 1% and 10%” category, growing from 16% to 24% of survey responses.
- Omdia’s view is that while many companies were able to weather the initial storm from COVID-19, the prolonged issues of lower market demand, supply chain disruptions, and reduced capital investment will be difficult to overcome for most industrial companies.

# Supply chain impact

- Overall the impact of COVID-19 has been negative for supply chain logistics, with around 43% of respondents reporting their supply chain being somewhat impacted.
- As factories were temporarily shuttered around the world, COVID-19 has weakened several key links in the industrial supply chain but will also strengthen others.
- The mega trend of digitization has quickened in pace since the outset of the COVID-19 pandemic, leading to increased focus on remote working, monitoring, assistance as well as a digital transformation to the supply chain. High demand for digital services will be reflected in other parts of the technology supply chain.
- The smart device market is forecast be hit hard by COVID-19, but the pandemic will have a more nuanced impact on the overall tech supply chain, thanks to investments in 5G, data centers, and other technologies that will underpin the new digital economy.
- The chart demonstrates this dynamic with roughly the same percentage of respondents reporting being impacted or significantly impacted vs. unsure or having little to no impact on their supply chain.

How do you characterize the impact COVID-19 has had on your supply chain?

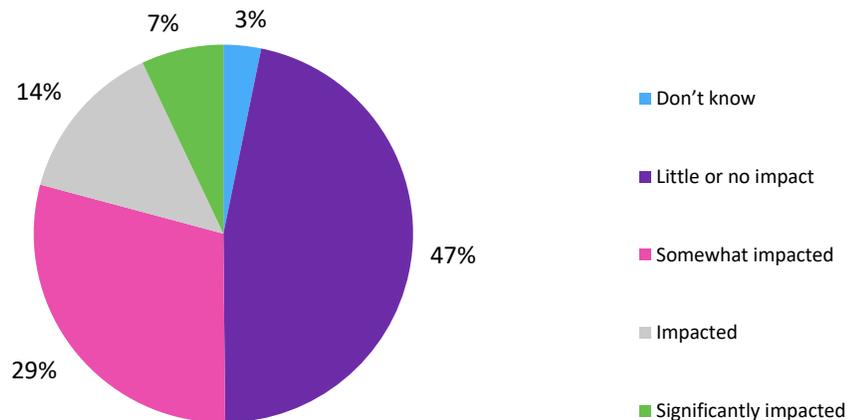


Source: Omdia

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# Personnel/staffing impact and timing of return to normal

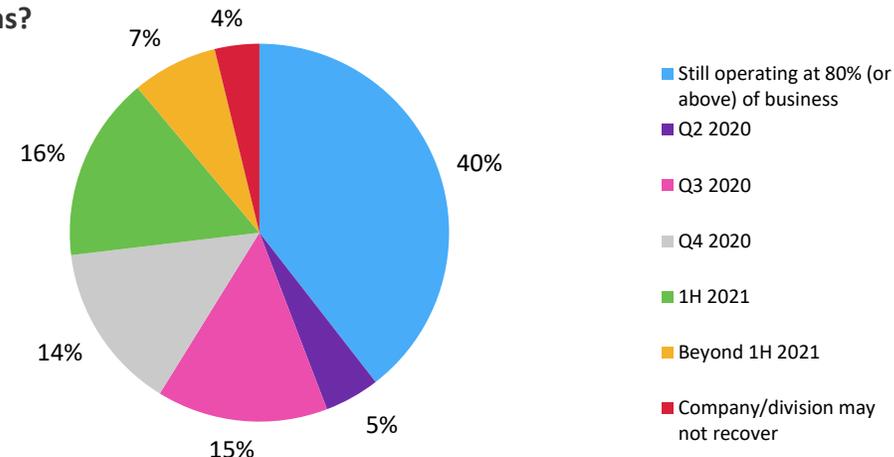
How would you characterize the impact COVID-19 has had on your personnel/staffing requirements?



Source: Omdia

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When do you expect your company/division to return to at least 80% of normal business operations?

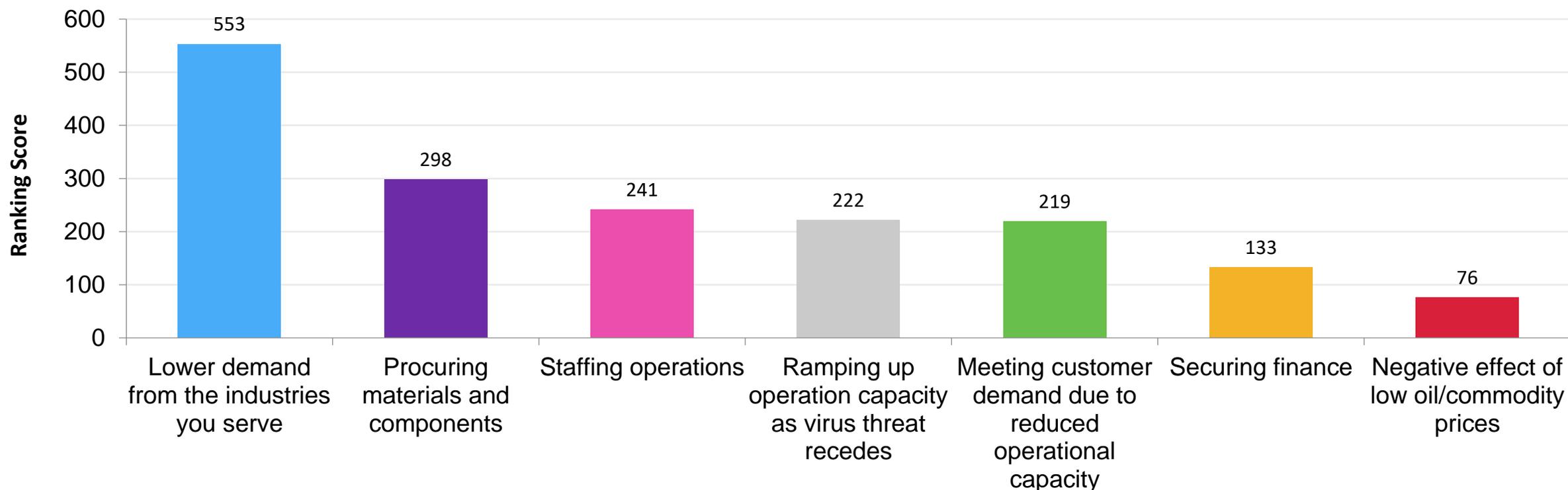


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- Half of survey respondents stated that COVID-19 has had impacted their personnel requirements, but only 7% said they have been significantly impacted.
- Despite high unemployment, this finding appeared to show some encouraging resilience by industrial companies to maintain personnel and staffing despite the challenges presented by enforced shutdowns, social distancing, and other increased physical safety measures.
- To add to the positivity, 39% of respondents stated that they are still operating at 80% (or above) normal business. After this, a balanced mix of respondents expect the recovery to happen in varying stages from the second quarter of 2020 to beyond the first half of 2021. Unfortunately, the final 4% stated that their company or division may not recover. These companies and employees will certainly bear the heaviest weight of the pandemic's negative effects.

# Lower demand, procuring materials, and staffing operations ranked as the top three challenges over the next six months

Please rank your top three challenges over the next 6 months in order of highest concerns. (1 = highest concern)



Source: Omdia

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# Comments from “top three challenges” question skewed toward the negative with limited positive sentiment

## Negative Comments

- “North American operations impact is largely the shift to work-from-home and the significant productivity loss in doing so.”
- “Concerns on a new shutdown or staff impact due to a second wave. If the economy doesn't open, demand will be affected so 2021 will be an issue.”
- “While supply chain issues are causing delays the real issue is customers delaying projects due to uncertainty.”
- “Many of our customers are not fully operational, therefore our business has dropped off.”
- “Expect a booking slow down in second half of year heading into 2021.”
- “We have new products that have been delayed due to lack of supply for components, and we will be ramping those as components become available.”
- “Not sure we will stay in business. If so, we will inventory less products and reduce warehouse space.”

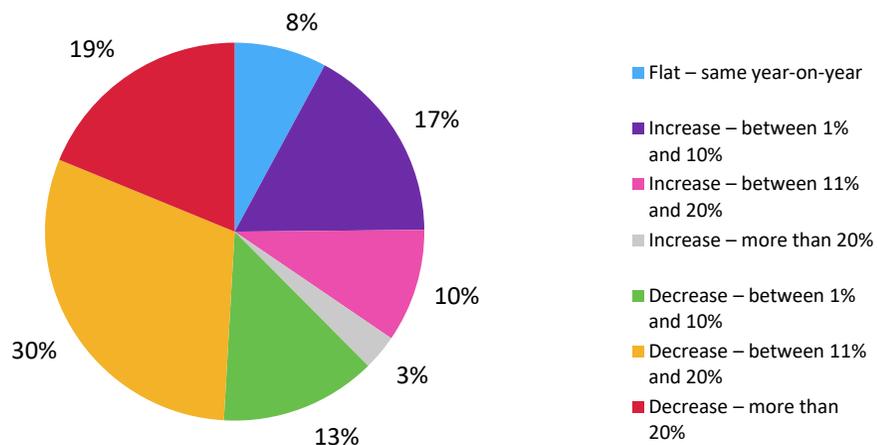
## Positive Comments

- “We are the busiest we have been in years. We are presently expanding operations to meet our customers demands.”
- “The negative impacts we are experiencing are from significantly increasing demands, such that we cannot scale quickly enough, and while experiencing greater demand, cannot adequately meet that demand because of supply chain issues, ramp up, and sustainability.”
- “Taking advantage of the crisis to increase sales.”

# Manufacturing and Healthcare

# Manufacturing order books and lead times

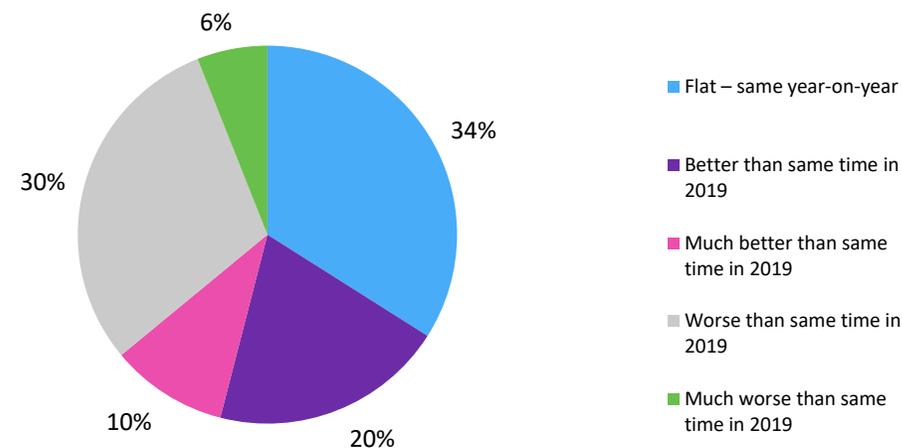
How does your overall order book as of today compare to this time in 2019? (Manufacturing)



Source: Omdia

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How do your lead times as of today compare to this time in 2019? (Manufacturing)

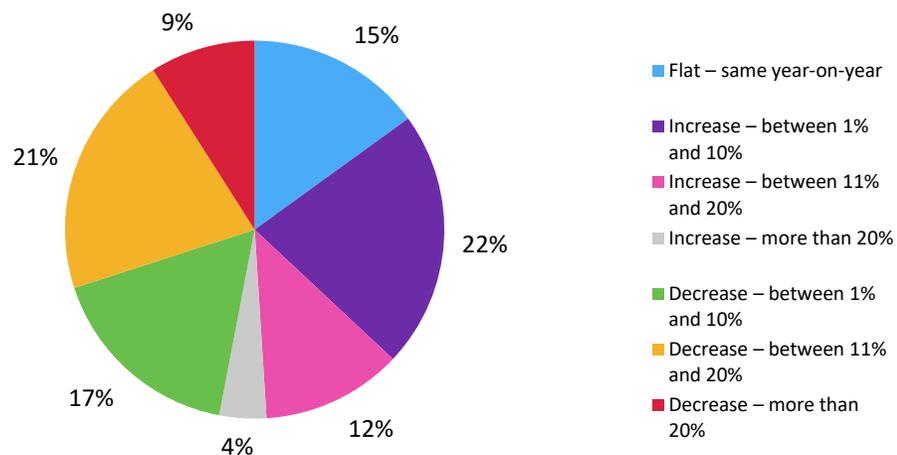


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- Over 62% of manufacturing / industrial automation companies reported decline to orders with the largest segment being a decline from 11% to 20%.
- When comparing lead times to 2019, approximately 36% of respondents in the manufacturing industry reported worse or much worse lead times. However, this actually shows that manufacturers fared slightly better than all other industry sectors surveyed, which reported around 40% companies with worse or much worse lead times.

# Manufacturing – Q1 2020 vs. Close 2020

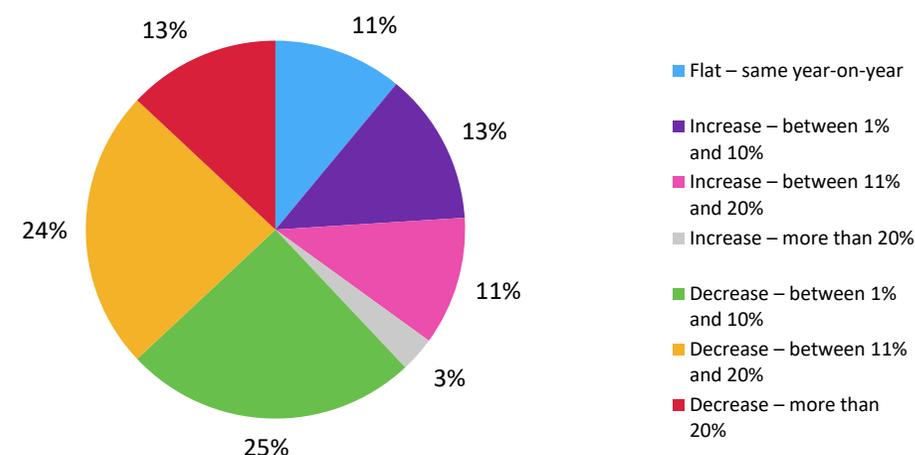
How did your overall Q1 2020 revenue close vs. Q1 2019? (Manufacturing)



Source: Omdia

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How do you expect your 2020 revenues to close vs. 2019 annual revenue? (Manufacturing)



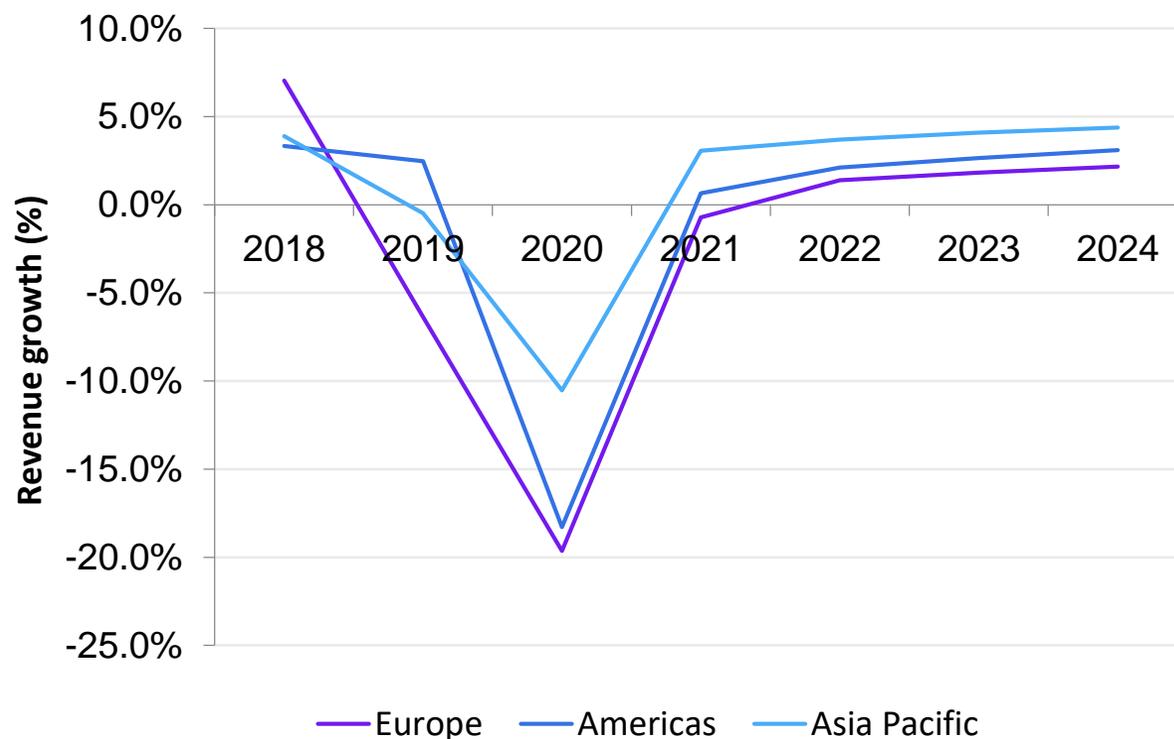
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- Just under half (47%) of manufacturing / industrial automation respondents reported a revenue decline in Q1 of 2020.
- The average revenue decrease was 39% in Q1 2020, of the companies that reported a decrease more than 20%.
- However, revenues for the full calendar year 2020 are expected to be even worse. A staggering 62% of respondents expect to have declining revenues at the close of 2020, with a decrease between 1% and 10% as the largest reported segment.

# Global machinery production in rapid decline

- The 2020 global machinery production market forecast was revised down primarily because of the COVID-19 pandemic. This disease has infected and killed tens of thousands and shut down several major metropolitan areas. COVID-19 has already had a devastating impact on the global economy as well as the machinery production market.
- For the second quarter of 2020 (2Q20), the growth rate of global machinery production was -14.8%, compared to -14.4% in the first quarter of 2020 (1Q20). Omdia forecasts that spending on new machinery and plant expansion will be kept to a minimum as there are still many uncertainties, such as a second COVID-19 wave and potential trade disruptions.
- Currently, the full impact of COVID-19 on the machinery production market is still unclear. If the virus has less impact than expected, the market will be able to recover by the end of 2021. Conversely, if the situation surrounding COVID-19 has a more deadly, widespread, and longer-lasting impact than expected, markets will perform worse in 2020 and potentially 2021 than currently forecast. Omdia will continue to closely monitor the virus and its impact on the industrial machinery market.

## Machinery Production: World

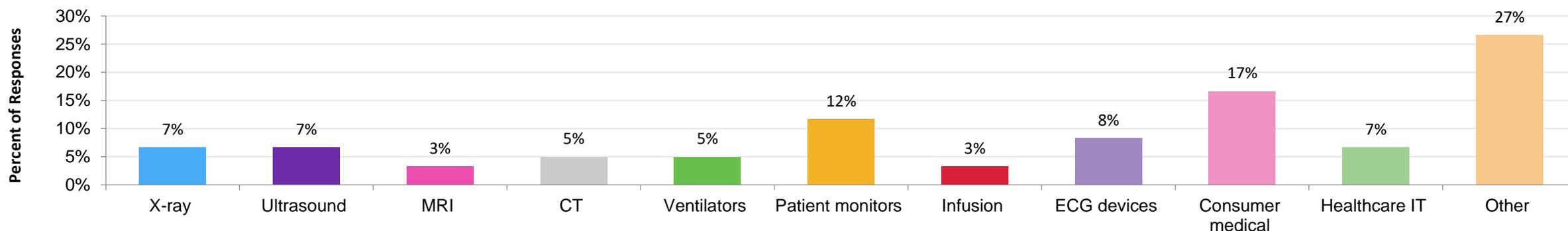


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# Types of healthcare equipment produced

What healthcare product(s) does your company make?



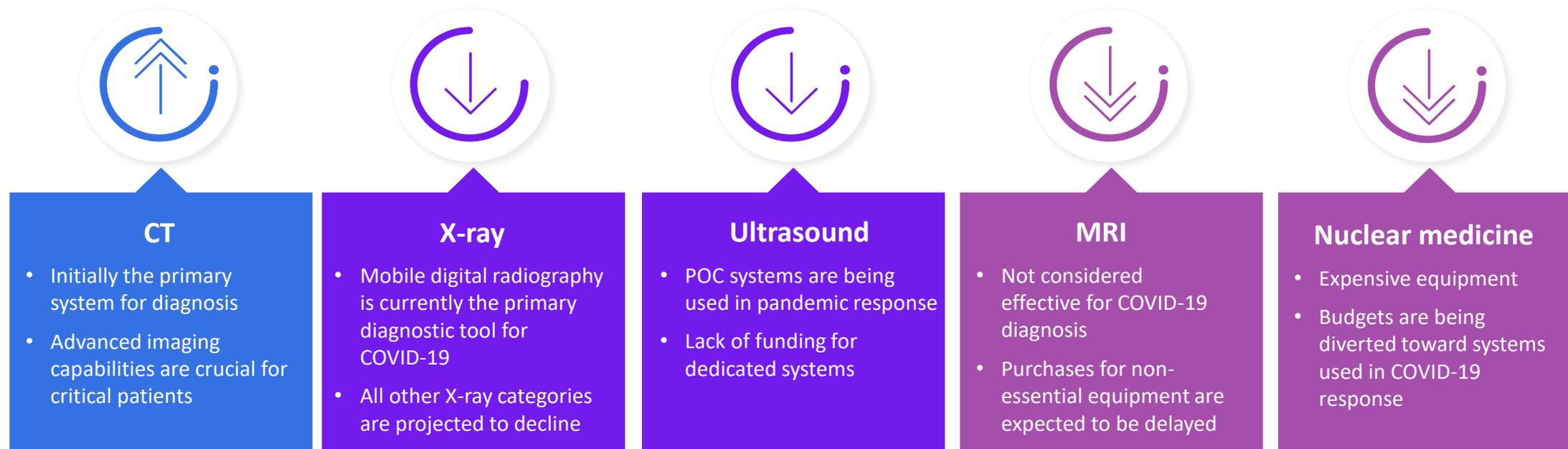
Source: Omdia

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- The responses from companies primarily in the healthcare industry made up the second largest segment with 11% of responses.
- When asked specifically what type of healthcare equipment they produced, the top three types listed were consumer medical devices, patient monitors, and ECG devices.
- Only 5% of the surveyed healthcare respondents produce ventilators. However, manufacturing giants such as Ford, General Motors, and General Electric began producing ventilators in April to assist in the fight against Covid-19. Recently, what was seen as a ventilator shortage may likely turn into an surplus in just a few months time.

# Impact on medical imaging by modality, 2020

COVID-19's impact on the medical imaging modality's global revenue growth, 2019–20



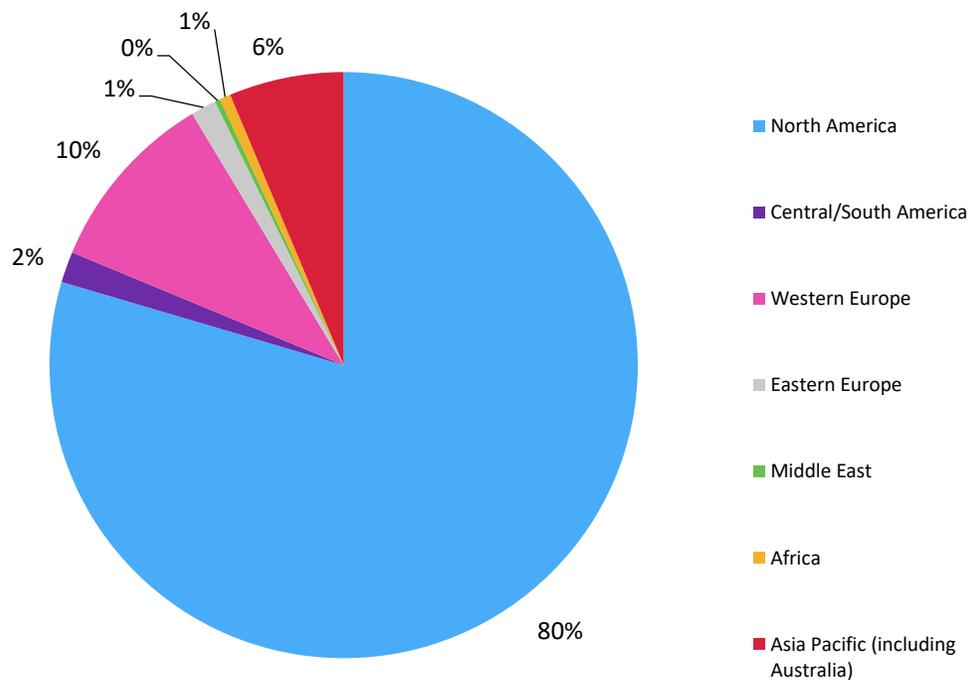
# Survey Demographics

# Survey demographics

- The COVID-19 Impact Survey received 785 total responses (333 complete surveys + 452 partial surveys).
- Regarding company size, 57% of respondents were from companies with less than 100 employees, 25% from 100-999 employees, and 19% from companies with over 1,000 employees.
- A well balanced mix of companies completed the survey. Machine builders (OEMs), automation or component suppliers, and consultants made up the three largest reported company types with only EPC contractors having less than a 5% share of respondents.
- Manufacturing / Industrial Automation and Healthcare were the two largest reported industry sectors at 48% and 11%, respectively.
- Almost 80% of respondent companies are headquartered in North America with Western Europe being the next largest region with 10% of surveys.
- However, when asked which regions would see the most significant impact on demand, the Asia Pacific region was the second highest with 11% of responses, behind North America with 73%.

# Company region and impact on demand

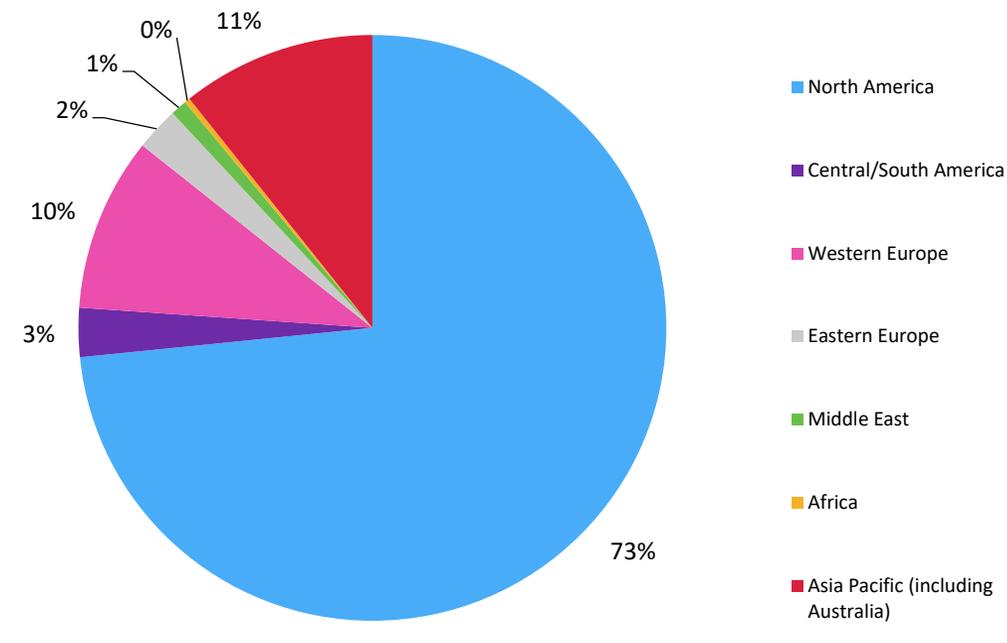
In what region is your company headquartered?



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Which region(s) have you seen most significant impact on demand?

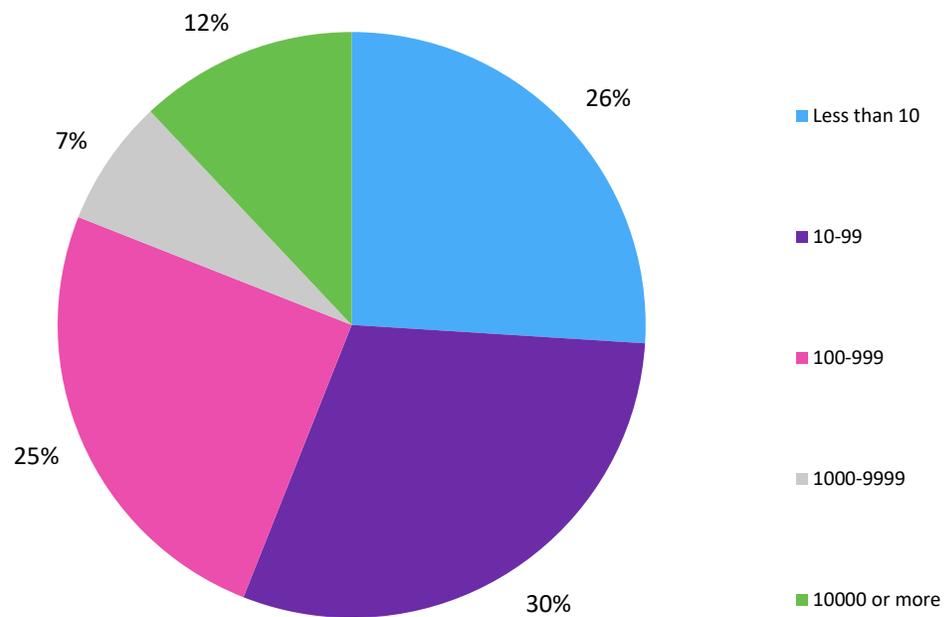


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# Employee count and company type

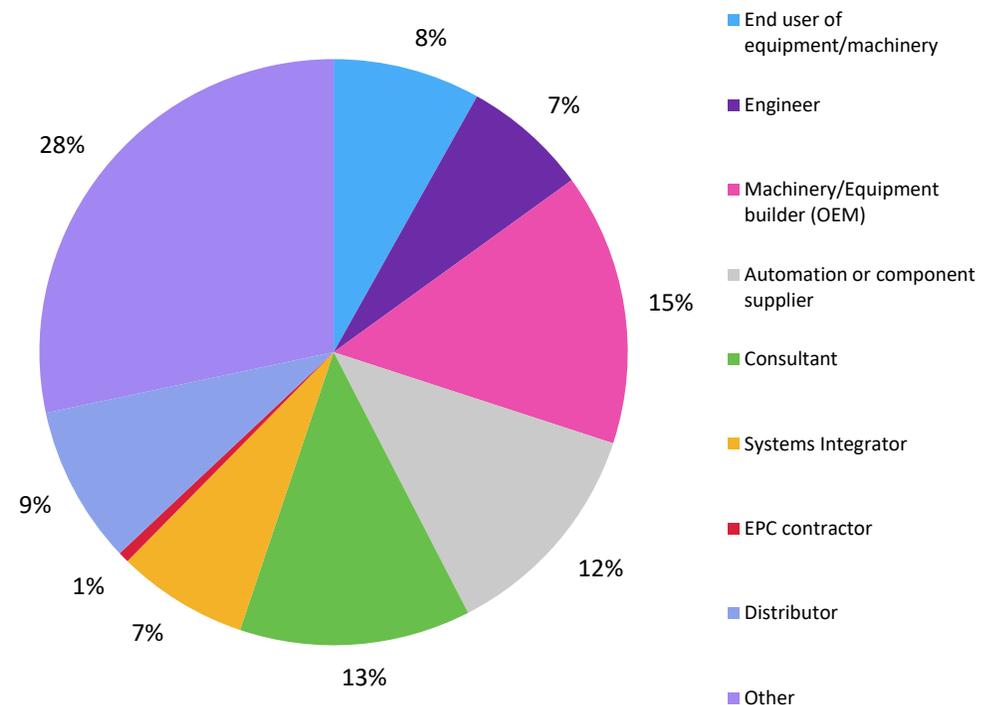
How many employees does your company have?



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Which of the following best describes your company type?

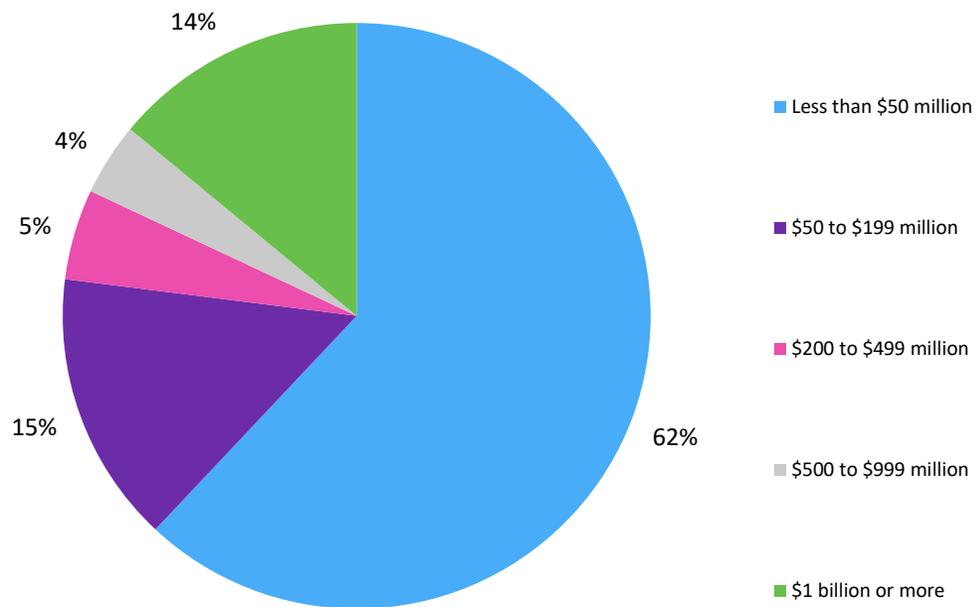


Source: Omdia

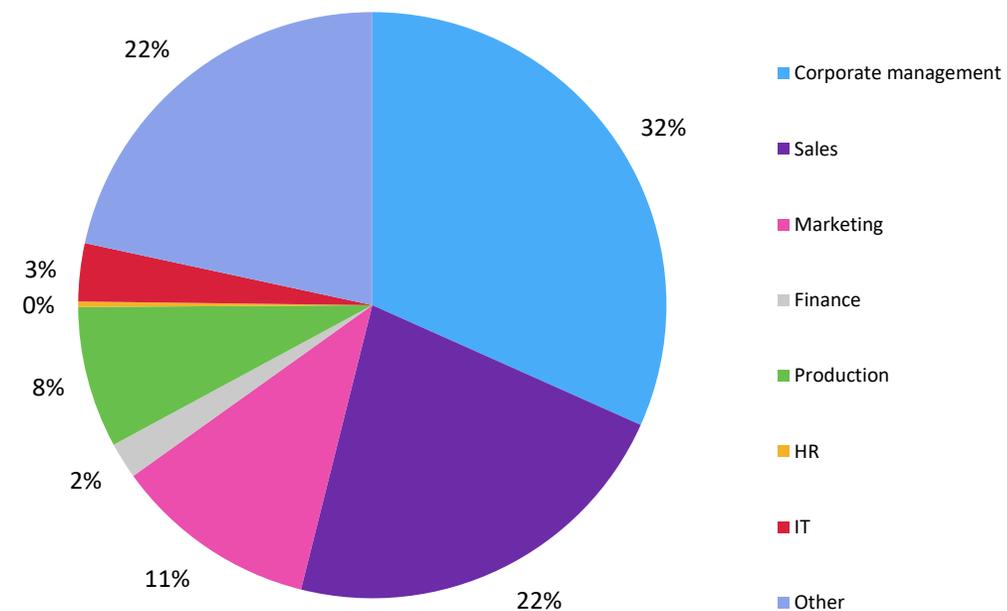
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# Annual revenue and primary job function

What was your company's annual revenue in 2019?



What's your primary job function?



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# Appendix

# Appendix

## Further Reading

*[COVID-19 Research Service](#)* (Now available to all Omdia customers)

*[Connecting the Dots: Key Strategic Opportunities in a Post-COVID-19 World](#)* (June 2020)

*[Post-COVID-19: China's machinery production and automation equipment market cannot be immune to the global pandemic](#)* (July 2020)

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