



# IMPACT OF COVID-19: AFTERMARKET BUSINESS CONDITIONS SURVEY

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Prepared by Automotive Industries Association of Canada

May 11<sup>th</sup>, 2020 | Updated: May 20<sup>th</sup>, 2020

# OUR SPONSORS

AIA Canada would like to acknowledge the generous financial support from our Primary Sponsors:



# RESPONDENT PROFILE

Total respondents:	n=363
Parts manufacturer	17
Major retailer	11
Wholesaler	28
Warehouse distributor	18
Mechanical & tire service	71
Collision repair shop	183*
Other	35

Number of employees**:	n=363
1-6	115
7-25	191
26-100	29
101-1000	15
More than 1000	10
Other	3

*\*\*under normal circumstances*

- Fieldwork: Conducted between Monday, 20<sup>th</sup> April, 2020 to Friday, 8<sup>th</sup> May, 2020
- Survey frame: Aftermarket business owners and employees across the 13 provinces and regions of Canada
- Fielding: Email invitation to an online survey
- *\*Caution: Sample size for collision sector high compared to other respondents which may skew results*

# IMPACT OF COVID-19 ON BUSINESS OPERATIONS

- **VERY DISRUPTED – 61%**
- SLIGHTLY DISRUPTED – 33%
- COMPLETELY SHUTDOWN – 2%
- **FUNCTIONING NORMALLY – 4%**

At time of survey launch, the industry was in its second month of dealing with the pandemic. Majority of aftermarket businesses (94%) report that their businesses are 'very to slightly disrupted', while a small percentage (2%) are completely shutdown.

4% report that its business as usual, however, 33% of this respondent group is still reporting revenue decrease of 50% or more in April 2020.

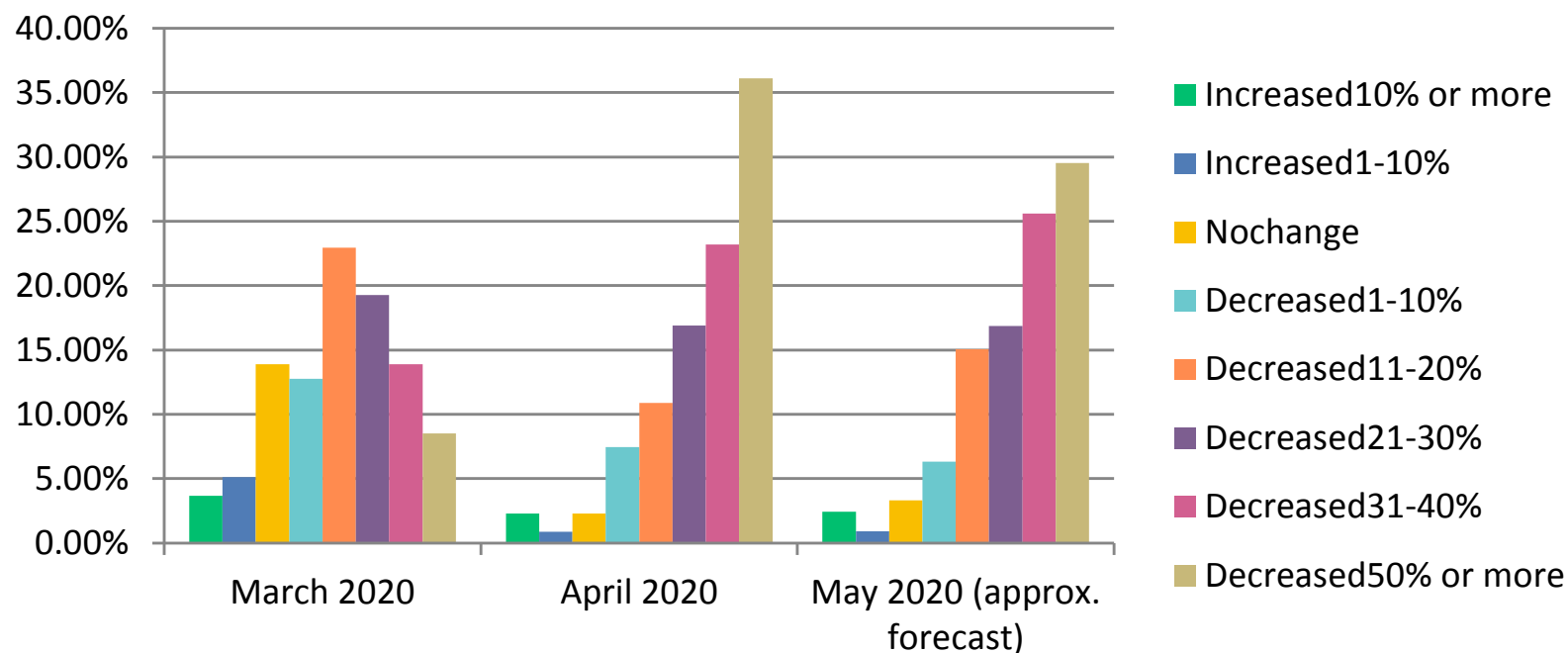
Change in revenue of 'very disrupted' respondents:

	↑ 10% & up	↑ 1-10%	↔ +/-	↓ 1-10%	↓ 11-20%	↓ 21-30%	↓ 31-40%	↓ 50% or more
March 2020	3%	5%	11%	9%	22%	23%	18%	9%
April 2020	1%	0%	0%	3%	6%	13%	27%	50%
May 2020*	1%	0%	1%	1%	9%	16%	29%	41%

\*approx. forecast

## 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 two-thirds (77%) of respondents reported moderate to severe impact on their revenues in March and April 2020.

The responses for May 2020 indicate that there are still high levels of uncertainty among parts manufacturers, wholesalers, and mechanical and collision shops on business continuity and outlook with majority of them (30%) still expecting a decrease in revenue of 50% or more.

# CURRENT CONDITIONS RELATED TO STAFFING & HR

## Are you currently operating with:

Employees laid off due to reduced business	61%
Reduced productivity due to current staffing conditions	41%
Employees working from home	22%
Employees on sick leave due to illness or self-isolation (related to COVID-19)	22%
Re-hiring laid off employees	15%
Other*	10%

## \*Other:

*“working with stress”*

*“difficulty in getting back those on CERB\*\*\*, saying they are still afraid”*

*“We will be laying off staff soon”*

*“kept employees on full time on Gov promise of CEWS 75% wage subsidy.”*

*“re hired 2 out of 7 employees, just to try and keep business afloat. we are in financial survival mode. nothing more!”*

The impact of reduced businesses has been swift and significant with over half the respondents having to lay off staff (61%). Only 15% businesses were able to (or have attempted to) re-hire previously laid off staff which reflects poorly on the Canada Emergency Wage Subsidy (CEWS) offered by the government. According to CFIB\*\*, 30% of small businesses were able to avoid layoffs or recall employees who were already laid off through CEWS. This indicates that either the measures have not been effective for the aftermarket or that the businesses were unable to apply for them.

\*\* Canadian Federation of Independent Business (CFIB): Your Business and COVID-19 – Survey #4

\*\*\*Canada Emergency Response Benefit (CERB)

# CURRENT CONDITIONS RELATED TO BUSINESS OPERATIONS

## Are you currently operating with:

Increased safety and sanitizing practices	84%
Events, conferences and meetings cancelled	43%
Offering curbside pickup and home delivery	34%
Reduced operating hours	33%
Sought credit from financial institutions to cover operating costs due to revenue shortfalls*	30%

*\*According to Canadian Federation of Independent Business (CFIB), 1 in 5 businesses do not qualify for Canada Emergency Business Accounts (CEBA) as those with payrolls under \$50,000 are not eligible for support.*

*92% of the respondents of AIA Canada's survey are small and medium sized businesses (less than 500 employees) and may not be eligible to apply.*

For the corporate sector, client/customer visits have been banned and working from home policies are in effect, these being the most common measures to handle the pandemic. However, owing to the nature of car repair work, most aftermarket businesses cannot implement a 'zero contact' policy for their customers, which explains the increase in safety and sanitization practices (84%).

On 8<sup>th</sup> April 2020, Manitoba Public Insurance (MPI) announced a new program that started covering the extra cost of cleaning and sanitizing vehicles before and after repairs during COVID-19.

# SUPPLY CHAIN (PARTS/MATERIALS) CHALLENGES

## Are you currently operating with:

Delays in obtaining vehicle parts, etc.	59%
Disruptions experienced by suppliers	51%
Other	18%
Unable to offer my products/services goods due to disrupted supply chains	12%

## Comments:

*“Nothing out of the normal”*

*“So far so good as far as receiving product from suppliers”*

*“no real change in parts availability”*

*“Starting to see some shortages in getting parts”*

*“PPE shortage”*

A qualitative analysis of responses under ‘other’ (18%) indicate that supply chain delays had become quite the norm by the second month of the pandemic (April 2020) when this survey was rolled out. This indicates the inter-connected nature of the global supply chain and that aftermarket businesses had time to brace for impact. Businesses do report delays in obtaining PPEs (personal protective equipment) given the increase in safety and sanitation practices.

Some collision shops are reporting that OEM dealers have decided to move their wholesale parts business to a cash-on-demand model. This practice is proving to be a challenge for shops who are already experiencing cashflow issues.

Even if aftermarket businesses are not currently experiencing disruption of any type, there is still significant concern around COVID-19 pandemic’s impact on supplier operations and business outlook.

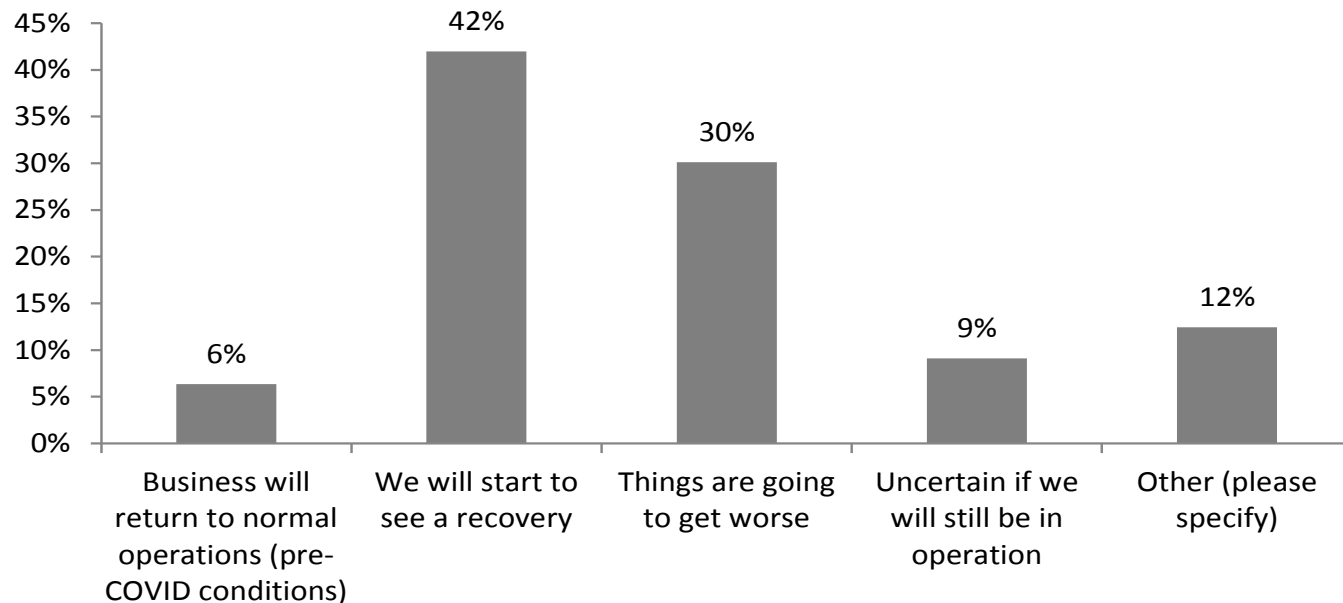


# BUSINESS OUTLOOK CONFIDENCE LEVELS

**42%**  
**RECOVERY**

**30%**  
**GET WORSE**

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



The top-of-mind question for industry businesses is, “How long will this last?”. Qualitative analysis of ‘other’ (12%) responses reveals that the business environment outlook is highly uncertain.

The survey results showed a cautiously optimistic response, with 42% of respondents thinking that their impacted businesses will start to see a recovery in the next 2-3 months. This is on the proviso that the virus outbreak is under control, lockdowns are being eased, and demand also returns.

On the contrary, 30% of respondents believe that the situation is only going to get worse and that it may take more than a year for impacted businesses to return to pre-COVID conditions.

# GOVERNMENT ASSISTANCE

What measures would you like to see implemented by the government and other agencies to support your business during this crisis?

Some of the responses to this open-ended question include:

- “The \$40K loan is good, 75% wage subsidy is very good. If you are not down the 30%, you are limited in what support is available. As business starts to get better, but not near where it was, the decline requirement needs to be adjusted, even at -15%, that is very difficult to keep the business' going.”
- “They need to understand certain businesses better, 30% decrease to a wholesaler is huge, 20% or more is still a very large number.”
- “I think the government is doing what it can but sooner or later all these bills will need to be paid.”
- “Instead of down 30% how about if they were to top up the employers to suit the shortfall. Down 10 subsidize 10 Down 20 subsidize 20 up to a Max of down 75 subsidize 75. We will likely be down 20-25% and qualify for 10% Five more points down we would qualify for 75%. Pretty big incentive to close for a couple of days if you ask me. The subsidy offered does not fit the need and will leave a bunch of businesses short and will allow many others to make a profit.”
- “The government needs to keep focusing on prevention and containment for the time being or all this money they're giving out will only be wasted if we have to shut down cities again because they were in too much of a rush to get things moving again.”

# KEY TAKEAWAYS

- 77% of respondents reported **moderate to severe impact** on their revenues in March and April 2020. Businesses are facing cash flow issues and will find it increasingly difficult to keep employees on payroll if the economy does not open up.
- 61% of respondents describe their businesses as 'very disrupted':
  - 23% businesses reported loss of 20% revenue in March 2020,
  - 50% businesses reported loss of 50% or more revenue in April 2020
  - 41% businesses forecasting loss of 50% or more revenue in May 2020
- A smaller percentage (2%) of respondents had to close down operations while another 4% report that they are functioning as normal with some revenue losses.
- Many businesses have reported feeling high levels of stress due to **uncertainty and keeping employees motivated**. According to one respondent, *"Its hard to get all the information in a timely fashion to meet government guidelines for help financially, we would like to bring back our employees under the 75% rule but everything seems hard to reach or understand."* The initial response to the COVID-19 pandemic has resulted in an information overload.
- When it comes to staffing issues, 61% businesses have laid off employees while 84% have implemented increased safety and sanitation practices. About one-third businesses have applied for some sort of credit from financial institutions (30%).
- The business outlook is **highly uncertain**. Industry is cautiously optimistic with under half of respondents (42%) thinking that a recovery is possible in the coming months while 30% expect the situation to get worse. Only a small percentage (6%) believe that business will return to pre-COVID conditions while some businesses (9%) have raised doubts if they will even be in operation.

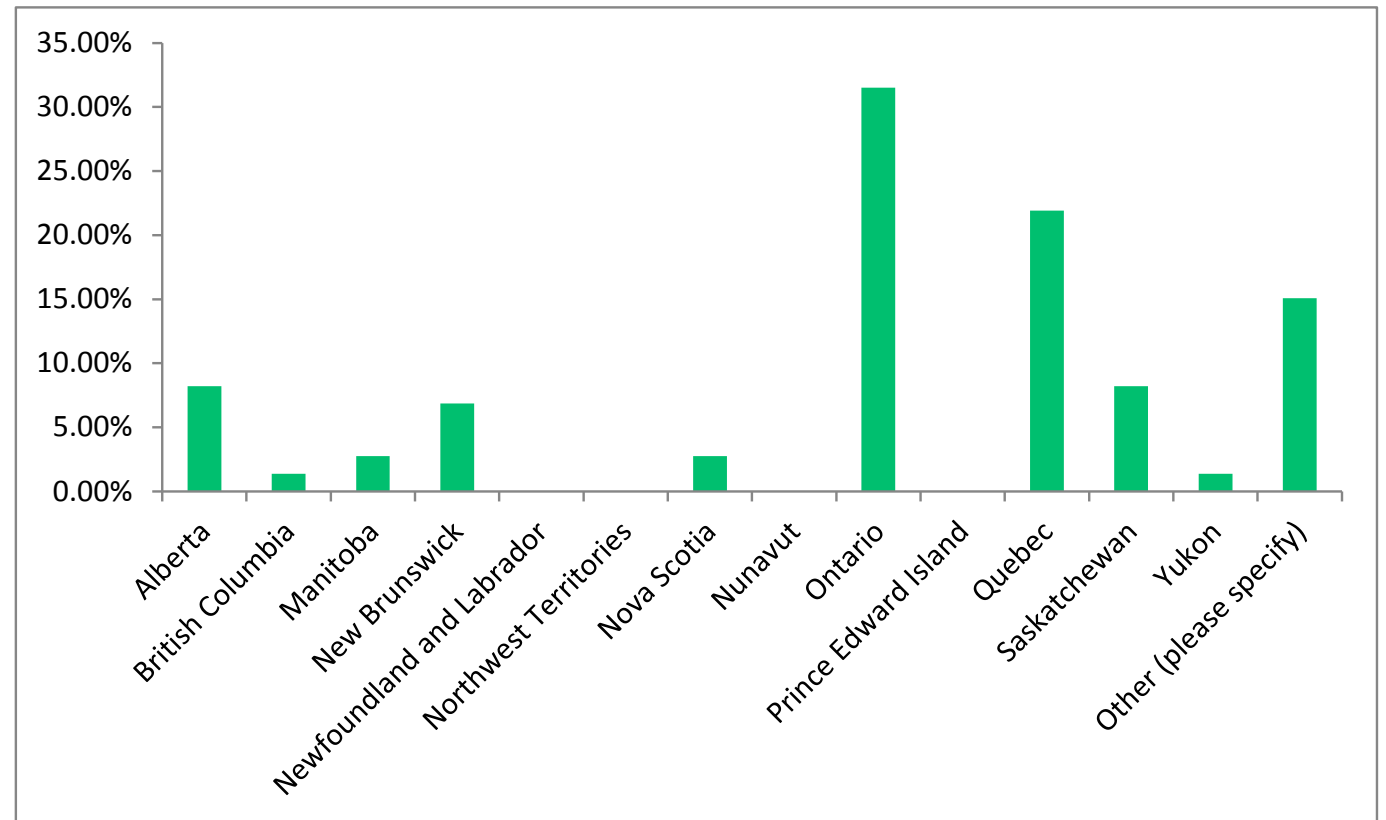


# SECTOR ANALYSIS – SUPPLY CHAIN

# RESPONDENT PROFILE – SUPPLY CHAIN

Total respondents:	n=74
Parts manufacturer	17
Major retailer	11
Wholesaler	28
Warehouse distributor	18

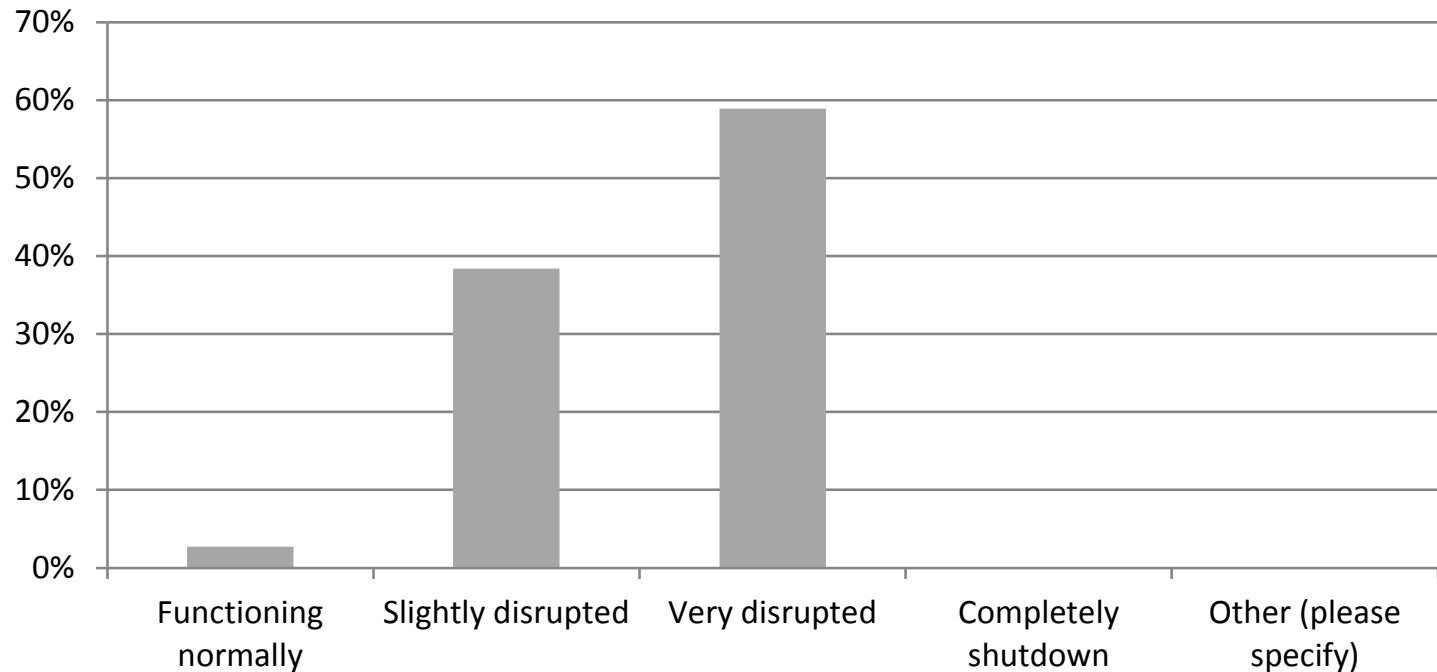
Number of employees**:	n=74
1-6	5
7-25	30
26-100	14
101-1000	14
More than 1000	8



\*\*under normal circumstances

# IMPACT OF COVID-19 ON SUPPLY CHAIN

How is the current COVID-19 situation affecting your business operations?



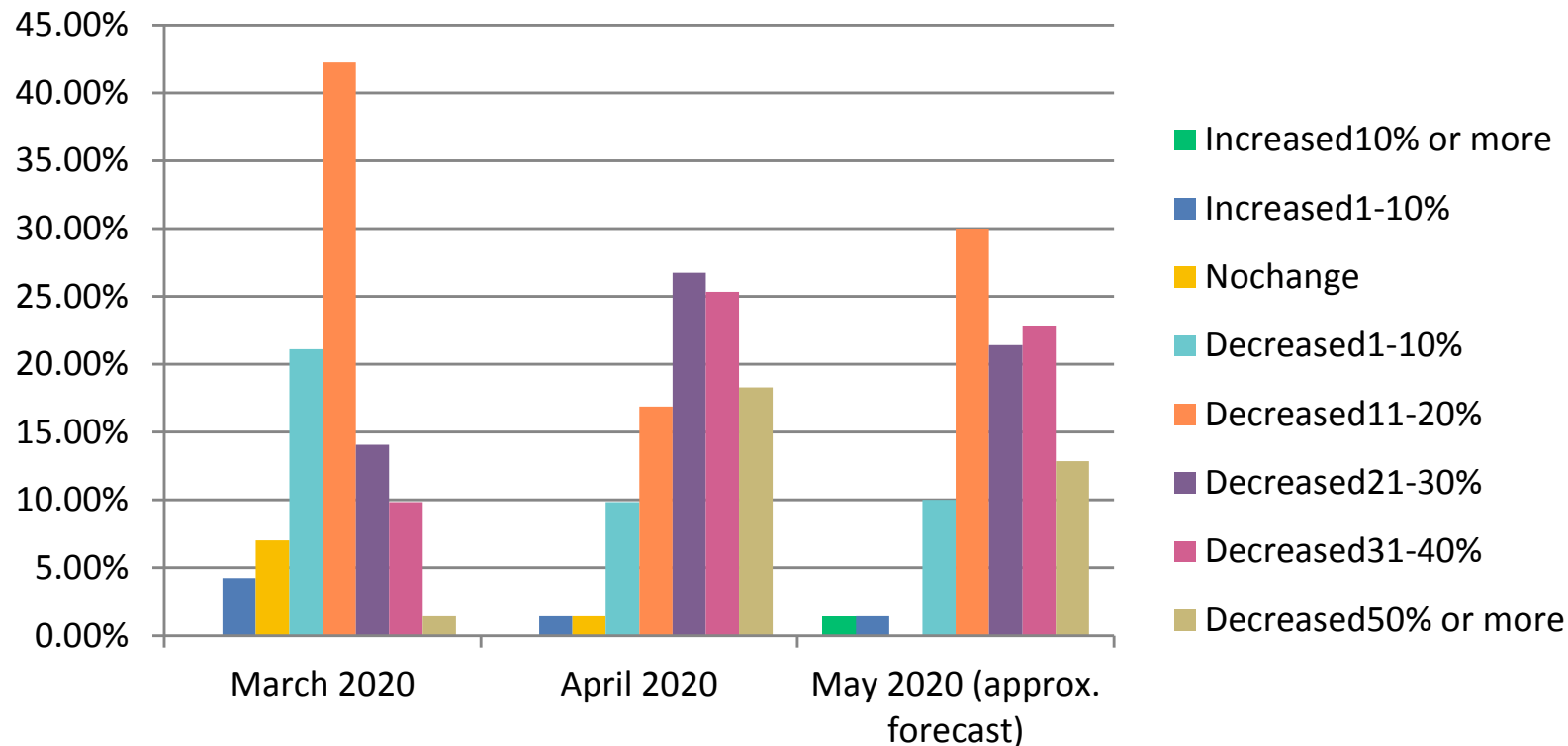
- **VERY DISRUPTED – 59%**
- SLIGHTLY DISRUPTED – 38%
- COMPLETELY SHUTDOWN – 0%
  
- **FUNCTIONING NORMALLY – 3%**

Compared to the overall majority, 97% supply chain businesses report that their businesses are 'very to slightly disrupted', while no businesses are reporting any complete shutdowns in this survey.

3% of respondents are reporting that it is business as usual for them.

# CHANGE IN REVENUE – SUPPLY CHAIN

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



The survey results clearly highlight the immediate impact of COVID-19 on the supply chain with 42% businesses reporting decrease in revenue by 11%-20% in March 2020.

In April, 87% respondents reported moderate to severe impact on their revenues, The highest cohort was 27% of respondents who reported a revenue decrease of 21%-30%.

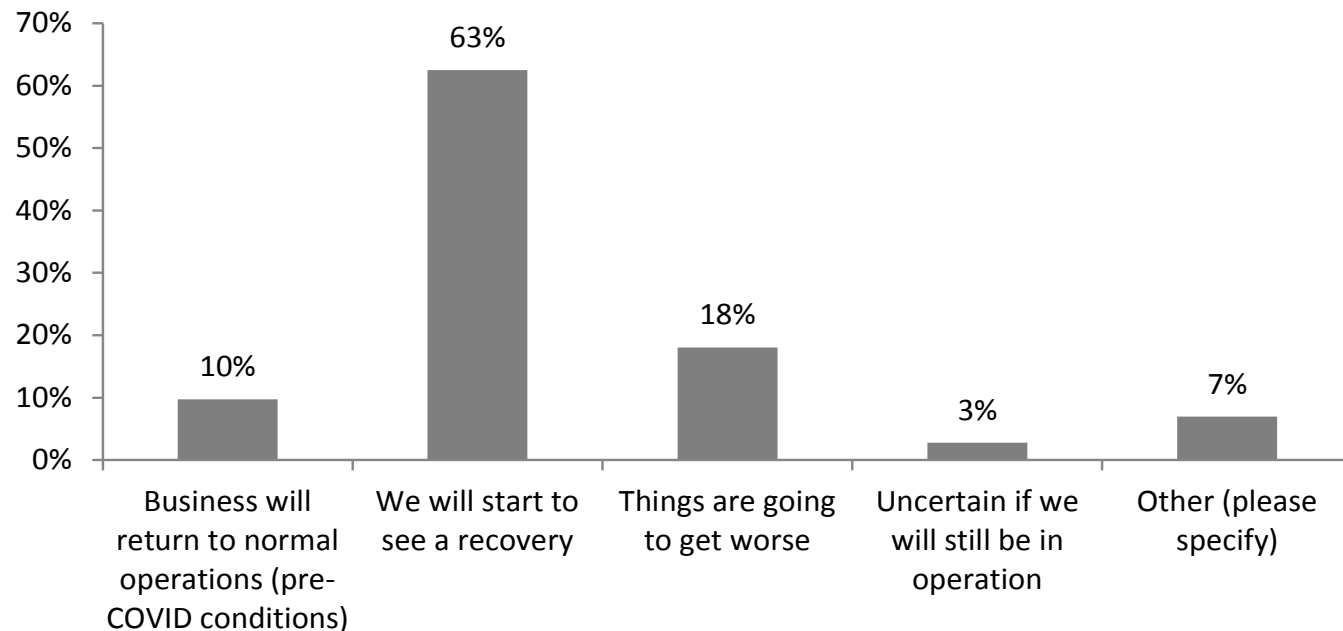
The responses for May 2020 indicate that this sector will continue to experience a revenue decrease by 11-20% similar to that of March 2020.

# BUSINESS OUTLOOK CONFIDENCE LEVELS – SUPPLY CHAIN

**63%**  
**RECOVERY**

**18%**  
**GET WORSE**

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



While the top-of-mind question for supply chain businesses remains, “How long will this last?”, responses to this question clearly indicate that this is the most optimistic sector of the three observed in this survey.

63% businesses are hopeful of a recovery while only 18% respondents expect the business outlook to get worse. This is in stark contrast to the overall industry view where 42% respondents expect a recovery while 30% expect things to take a turn for the worse.



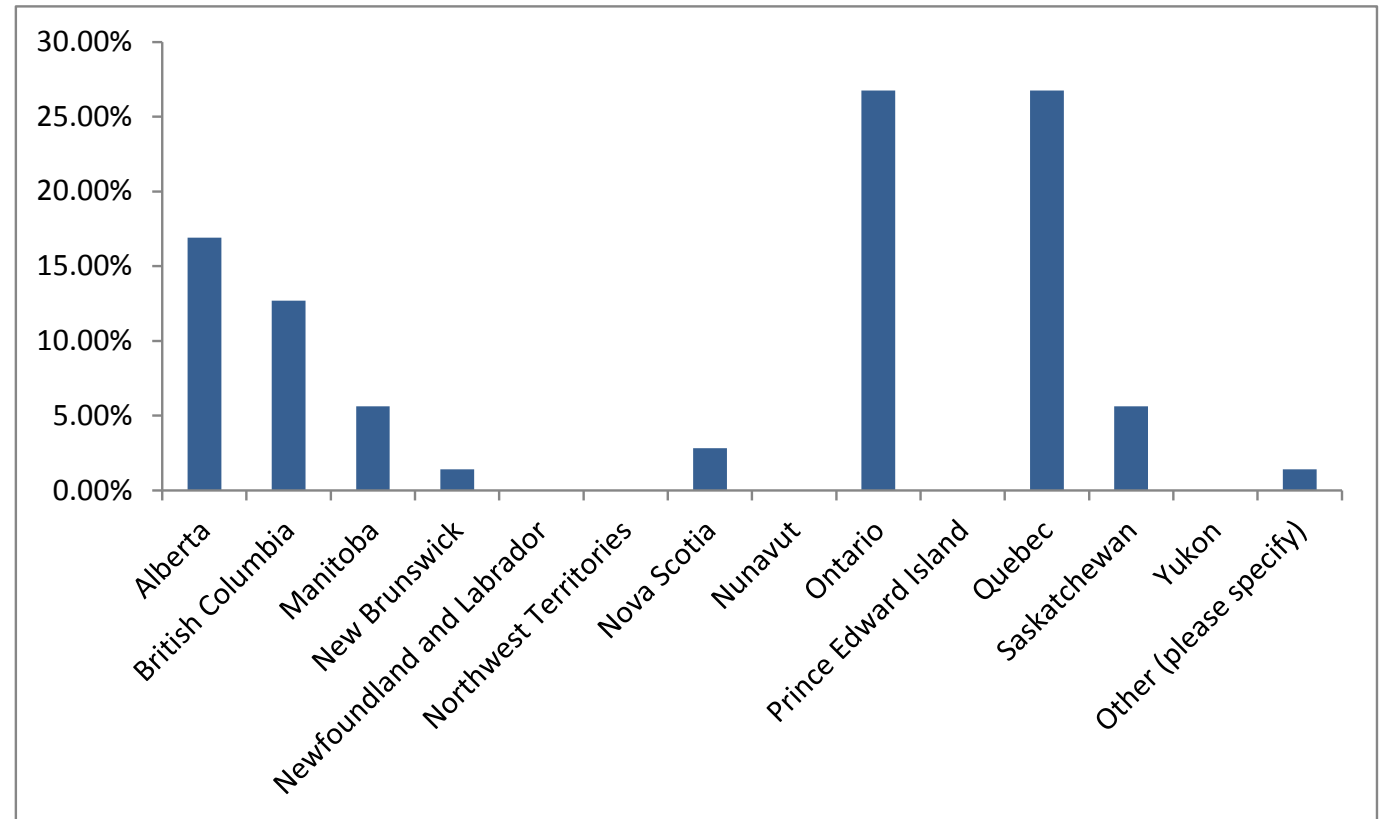


# SECTOR ANALYSIS – MECHANICAL SERVICE

# RESPONDENT PROFILE – MECHANICAL SERVICE

<b>Total respondents:</b>	<b>n=71</b>
Mechanical & tire service	71

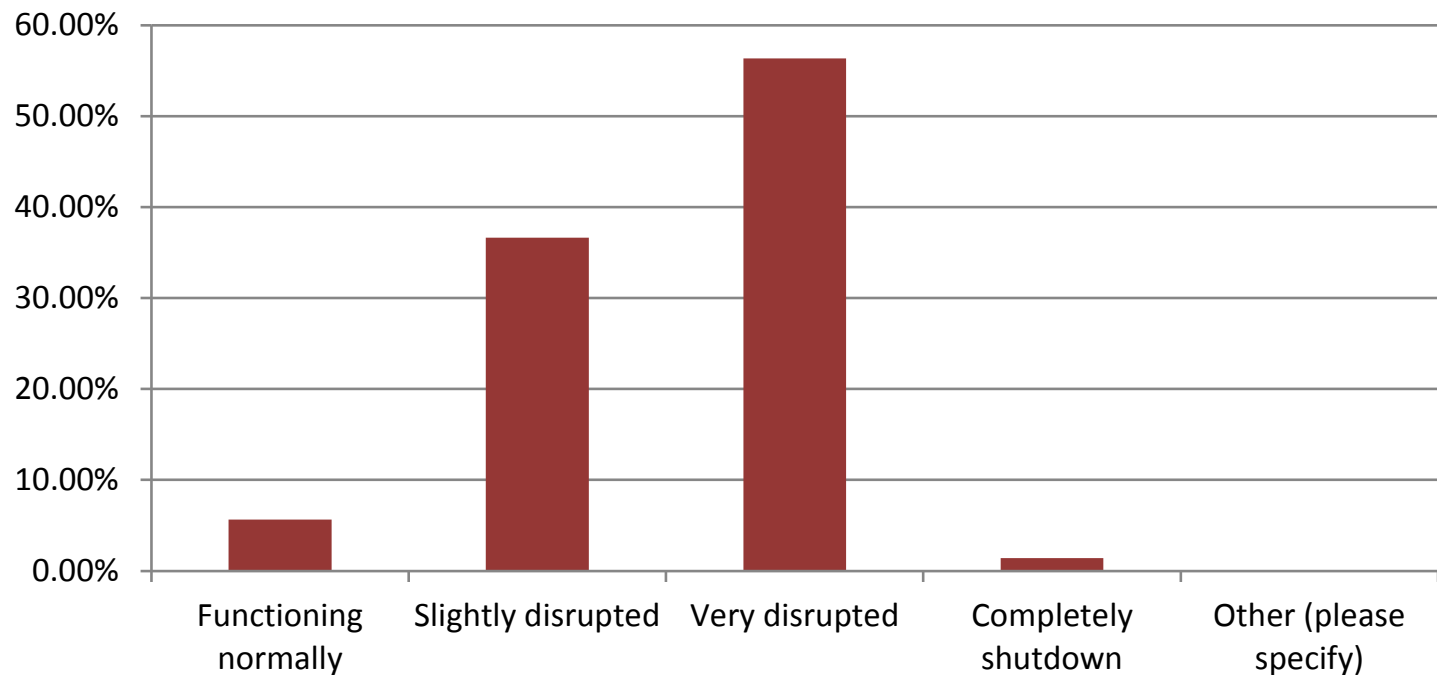
<b>Number of employees**:</b>	<b>n=71</b>
1-6	37
7-25	30
26-100	3
101-1000	1
More than 1000	0



\*\*under normal circumstances

# IMPACT OF COVID-19 ON MECHANICAL SERVICE SECTOR

How is the current COVID-19 situation affecting your business operations?



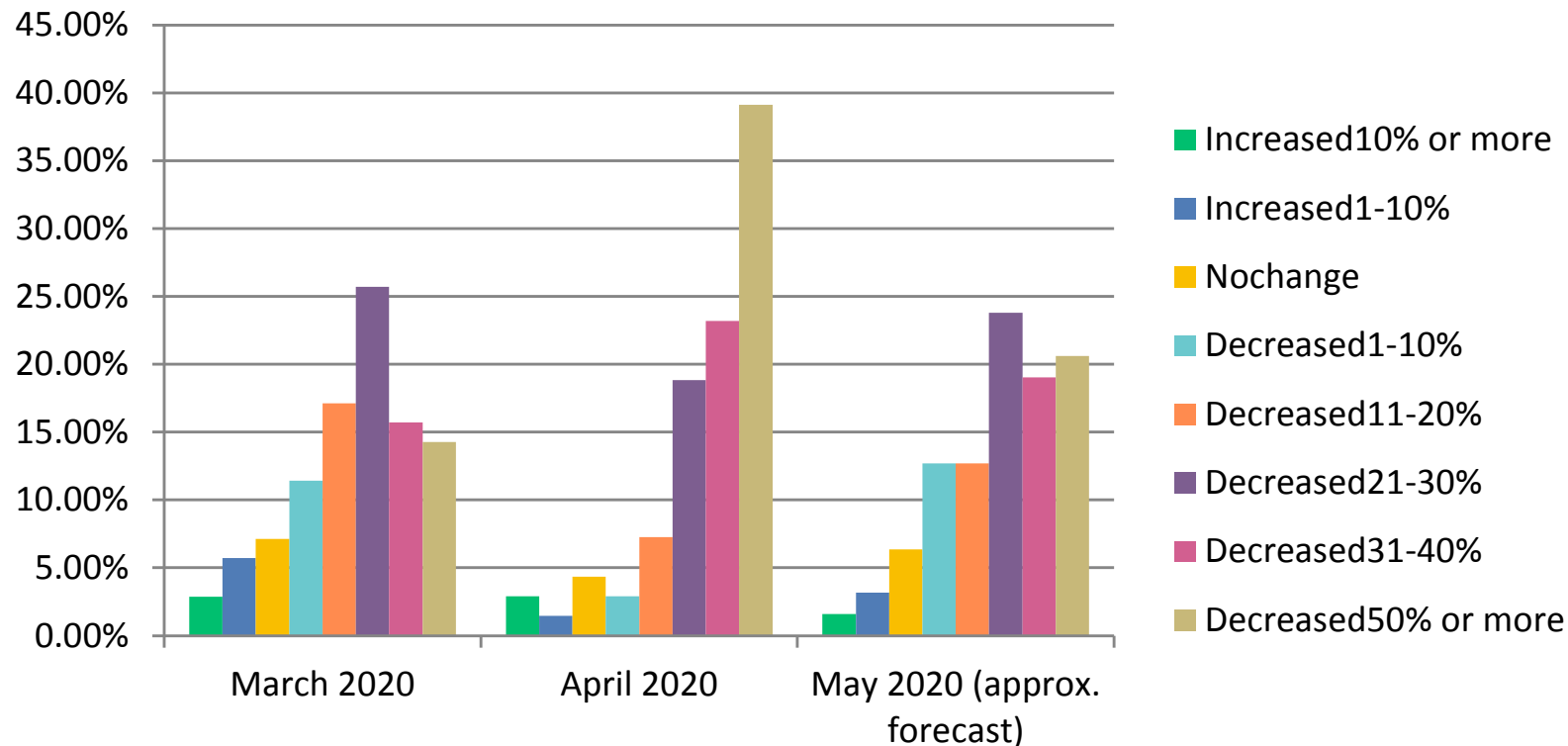
- **VERY DISRUPTED – 56%**
- SLIGHTLY DISRUPTED – 37%
- COMPLETELY SHUTDOWN – 1%
  
- **FUNCTIONING NORMALLY – 6%**

Compared to the overall majority, 93% mechanical sector businesses report that their businesses are ‘very to slightly disrupted’, while 1% of businesses are reporting complete shutdowns in this survey.

It’s ‘business as usual’ for 6% of respondents – the highest percentage reported in the survey. One reason for this could be because of the ‘essential services’ designation.

# CHANGE IN REVENUE – MECHANICAL SERVICE SECTOR

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



The survey results indicate that the mechanical sector has taken an immediate hit by the COVID-19 crisis in terms of revenue.

26% businesses report a decrease in revenue by 21%-30% in March 2020 while 39% businesses report loss of revenue by 50% or more in April 2020.

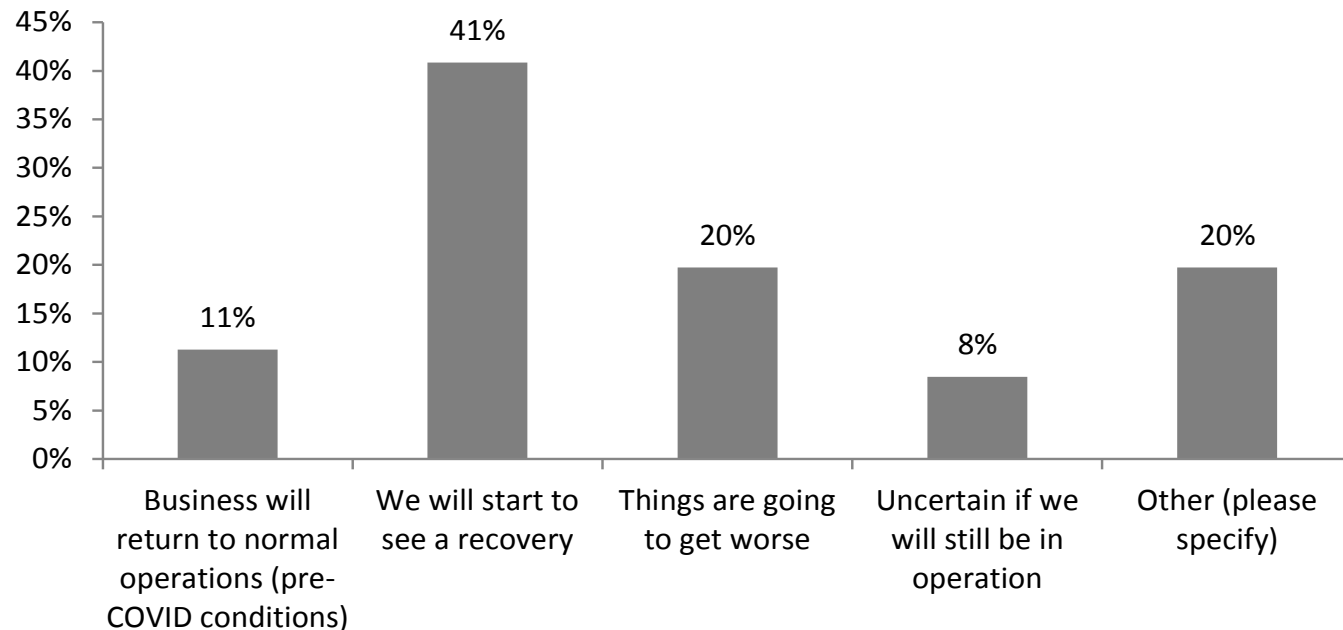
The forecast for May 2020 is highly uncertain as 24% respondents expect revenue loss of 21-30% while 21% respondents continue forecasting that business will be down by 50% or more.

# BUSINESS OUTLOOK CONFIDENCE LEVELS – MECHANICAL SERVICE

**41%**  
**RECOVERY**

**20%**  
**GET WORSE**

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



In keeping with the rest of the industry, responses to this question confirm that the business outlook is uncertain. Qualitative analysis of ‘other’ (20%) responses reveal that some respondents are cautiously optimistic:

- “Business will increase as clients spend more on their older vehicles as opposed to buying new ones.”
- “starting to see an increase in car count and cars on the road”
- “Hoping to see recovery but everyday something changes”
- “Stay the same but could see some work with tire changeover season”

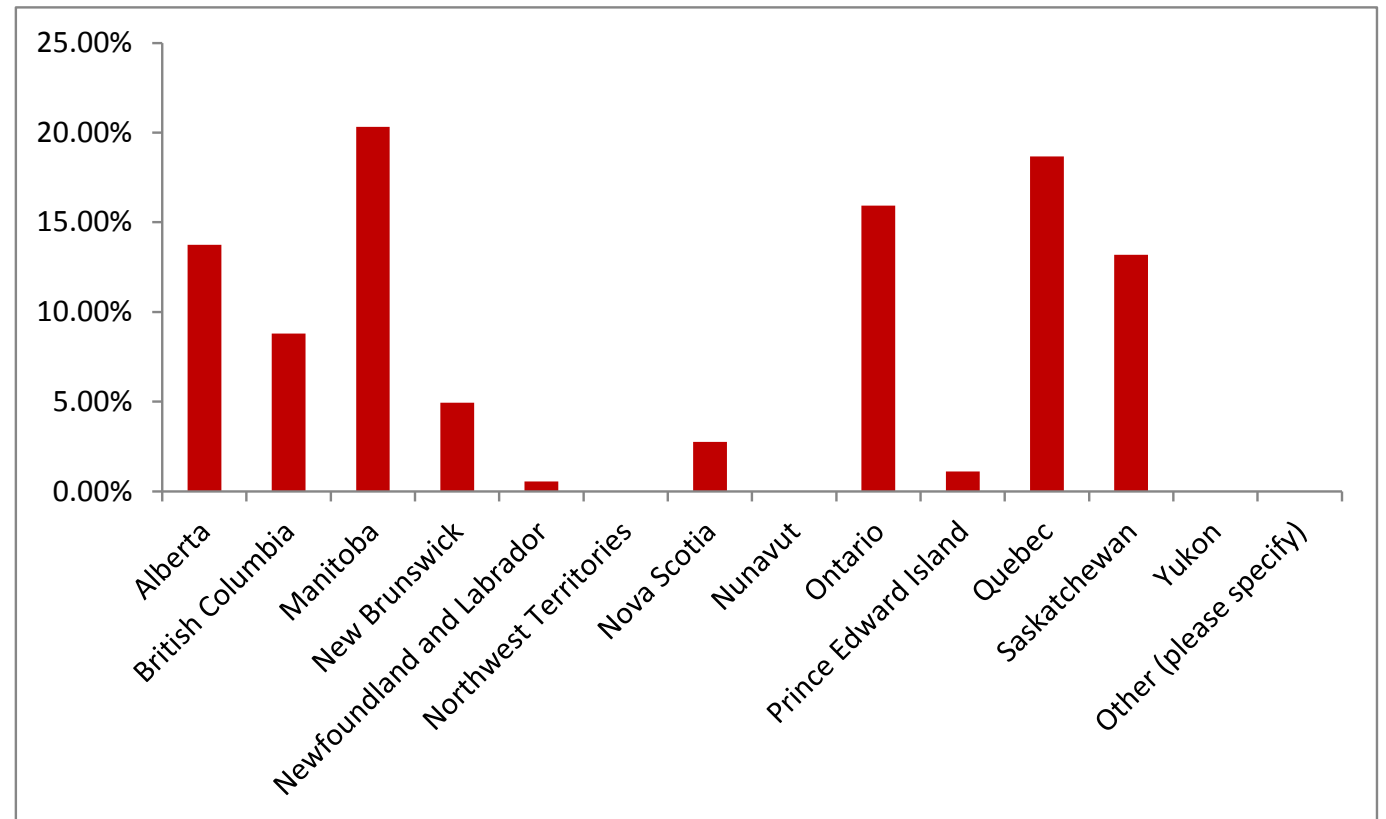


# SECTOR ANALYSIS – COLLISION REPAIR

# RESPONDENT PROFILE – COLLISION REPAIR

<b>Total respondents:</b>	<b>n=183</b>
Collision repair shop	183

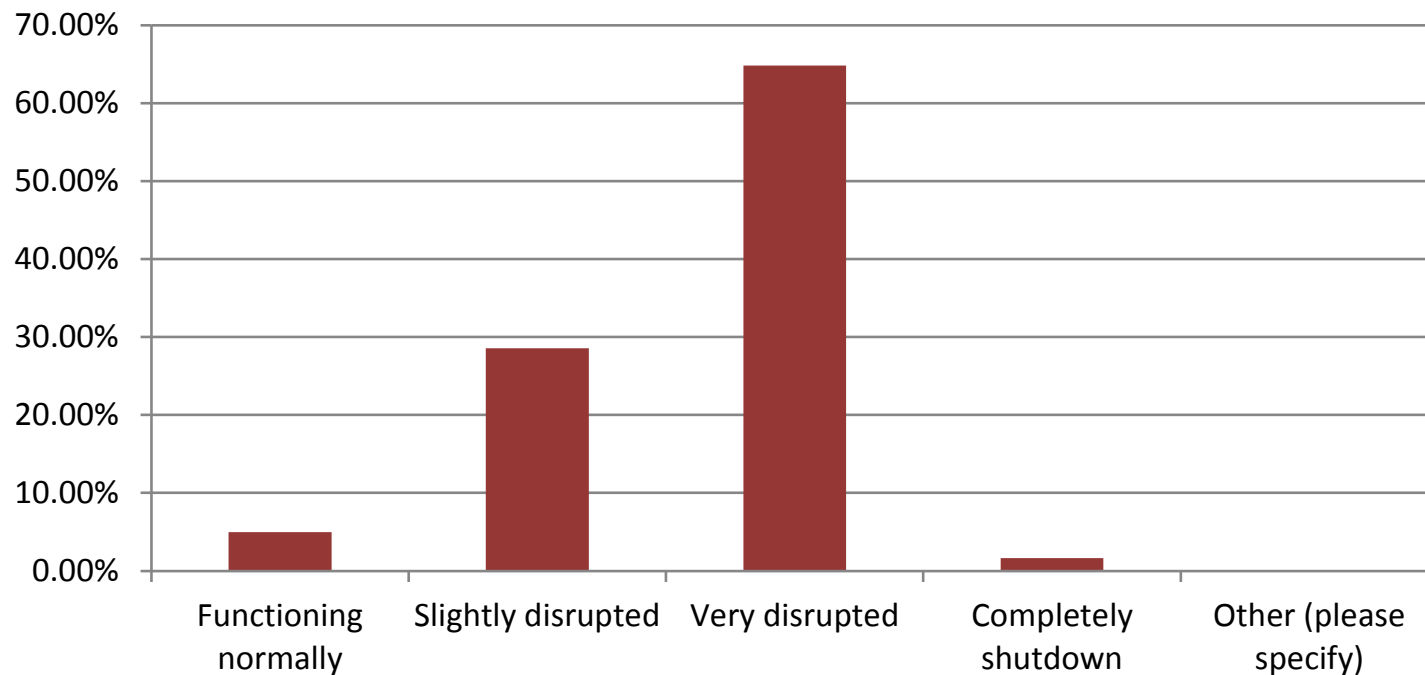
<b>Number of employees**:</b>	<b>n=183</b>
1-6	51
7-25	123
26-100	8
101-1000	0
More than 1000	0



\*\*under normal circumstances

# IMPACT OF COVID-19 ON COLLISION REPAIR SECTOR

How is the current COVID-19 situation affecting your business operations?



- **VERY DISRUPTED – 65%**
- SLIGHTLY DISRUPTED – 29%
- COMPLETELY SHUTDOWN – 2%
  
- **FUNCTIONING NORMALLY – 5%**

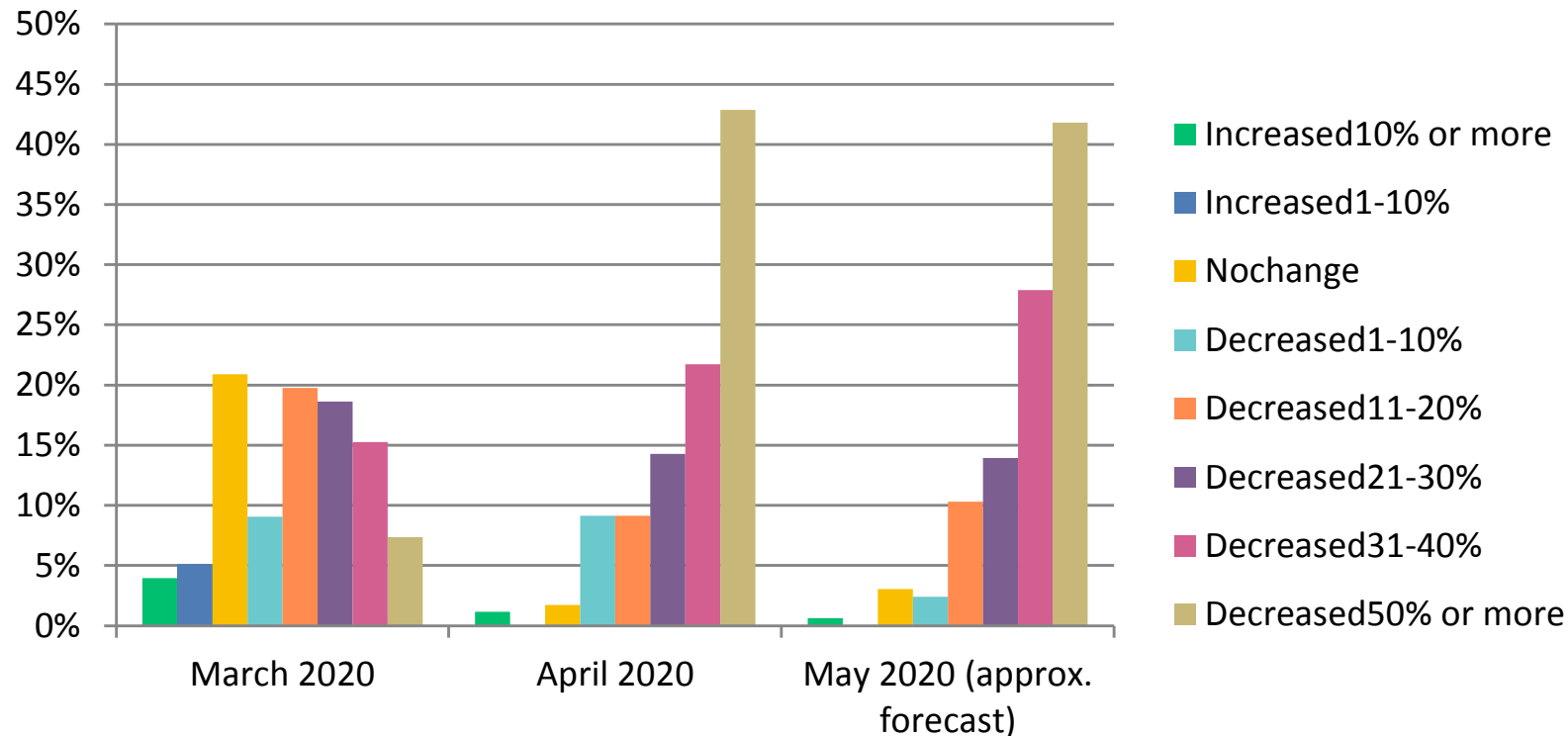
Compared to the overall majority, 94% collision repair businesses report that their businesses are ‘very to slightly disrupted’, while 2% of businesses are reporting complete shutdowns in this survey. It’s ‘business as usual’ for 5% of respondents.

The ‘very disrupted’ category (65%) is the highest amongst the three sectors reported in this survey.



# CHANGE IN REVENUE – COLLISION REPAIR SECTOR

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



The survey results indicate the impact on the collision repair sector has progressed 'slowly but surely' (as compared to the mechanical sector).

21% businesses reported no change in revenue in March 2020 while April witnessed a sudden change in revenue patterns. 43% businesses report loss of revenue of 50% or more in April 2020.

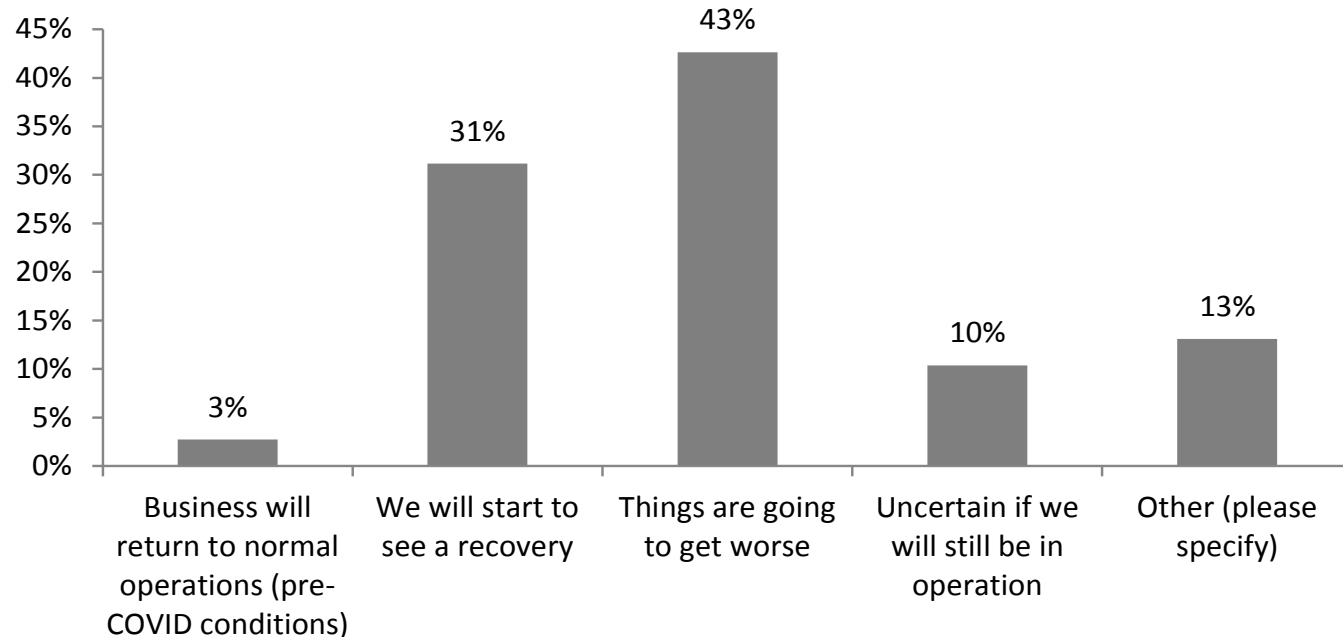
The forecast for May 2020 is similar to April's as 42% respondents continue forecasting a revenue loss of 50% or more – the highest for any sector.

# BUSINESS OUTLOOK CONFIDENCE LEVELS – COLLISION REPAIR

**31%**  
**RECOVERY**

**43%**  
**GET WORSE**

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



Of the three sectors surveyed in this report, the collision sector respondents are the least ‘optimistic’ with 43% businesses forecasting that things will get worse in the coming days.

While the industry overall remains highly uncertain of what the coming months hold, survey results indicate that the ‘uncertain outlook’ (10%) is more pronounced for this sector.

Some open-ended comments include:

- “Depends on insurance claims.”
- “unsure as we are dependent on new accidents”
- “Unsure of volume”
- “Its hard to say at this point. It depends when the gov't lifts the restrictions.”



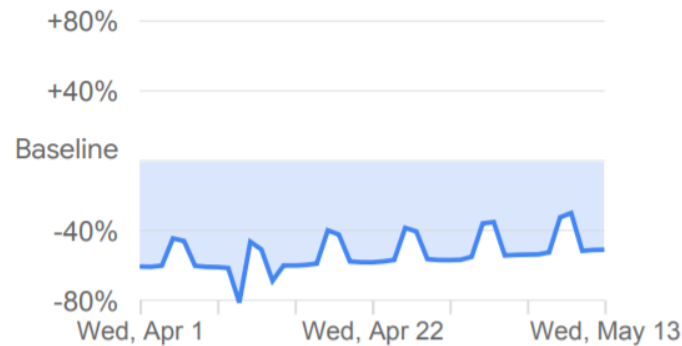
## APPENDIX – GOOGLE MOBILITY DATA

# MOBILITY TRENDS FOR CANADA – MAY 13, 2020

## Workplaces

**-51%**

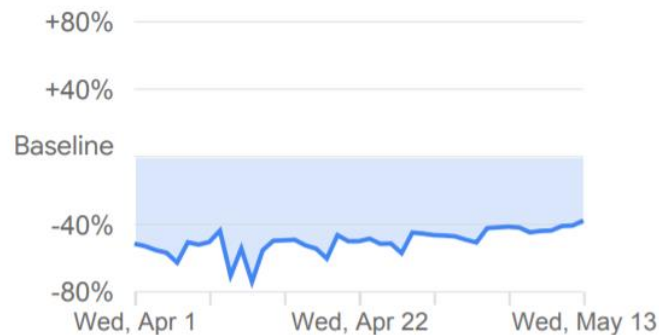
compared to baseline



## Retail & recreation

**-38%**

compared to baseline



The Google Community Mobility Reports chart movement trends over time by geography, across different categories of places such as retail and recreation, groceries and pharmacies, parks, transit stations, workplaces, and residential.

The data shows how visitors to (or time spent in) categorized places change compared to baseline days. A baseline day represents a normal value for that day of the week. The baseline day is the median value from the 5-week period Jan 3 – Feb 6, 2020.

These reports do not indicate the mode of transportation (car, bus, cycle, by foot etc.) however, it may be safe to assume that vehicle usage has been impacted with the onset of COVID-19.

*Note: vehicle usage, or kilometres driven per vehicle, is a key factor in determining aftermarket demand. The more often an operator uses his or her vehicle, the more often that vehicle may require repairs and general maintenance.*

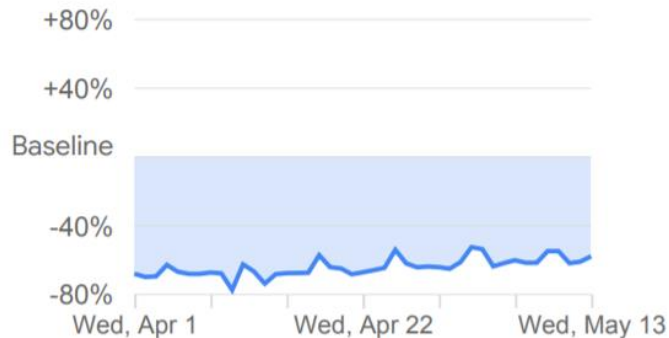
More info: [https://www.gstatic.com/covid19/mobility/2020-05-13\\_CA\\_Mobility\\_Report\\_en.pdf](https://www.gstatic.com/covid19/mobility/2020-05-13_CA_Mobility_Report_en.pdf)

# MOBILITY TRENDS FOR CANADA – MAY 13, 2020

## Transit stations

**-58%**

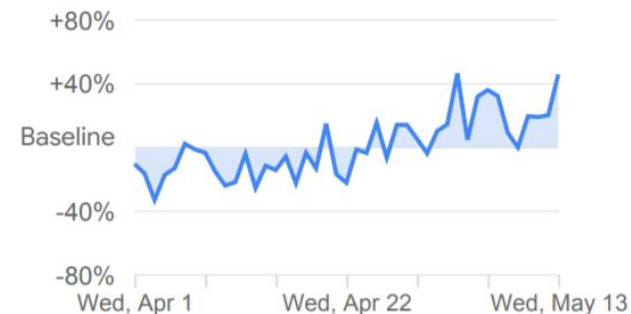
compared to baseline



## Parks

**+46%**

compared to baseline



## Grocery & pharmacy

**-9%**

compared to baseline



## Residential

**+19%**

compared to baseline

