

HDMA Pulse Report October 2021

Richard Anderson
Director, Market Research | HDMA



SUPPLIER PRESSURES

What is the greatest challenge you currently face when communicating with your customers?

- Customers are not accepting meetings, because they know those meetings will involve us asking to pass through surcharges for materials and logistics. If they don't accept the meetings, they can avoid paying their fair share for product.
- Delays and pricing
- Delivery and supply chain issues.
- Freight premiums
- Needing air freight to make sure continued supply
- Order volatility
- Getting a commitment or closing an open/ongoing opportunity.
- Getting long range (2022) forecasts that carry a significant level of confidence is hard, but understandably.
- Highly volatile material commodity and freight situation.
- Ignorance of current supply chain and demand related forces impacting CV Suppliers

SUPPLIER PRESSURES

What is the greatest challenge you currently face when communicating with your customers?

- Lack of response to both voicemail and email
- Material cost recovery, demand forecasting
- No decision-makers available
- People shortages
- Port and logistics delays impacting the ability to provide realistic delivery dates.
- Provide an accurate view of deliveries
- The ever-changing supply chain challenges coupled with escalating costs for materials and freight.
- Understanding changes to customer production schedule and supporting logistics needs to get product to customer on time
- We are currently unable to commit to delivery dates due to persistent material/labor shortages. The uncertainty makes for a difficult conversation.

SUPPLIER PRESSURES

What is the greatest change you have noticed in market behavior in the past 18 months and what has your business had to do to adapt?

- Actually, the greatest change is the willing acceptance of continuous upward price adjustments and extending lead times. Everyone seems to understand we're all affected similarly and all seem to be able to pass the increases through to the end customer.
- Can't hire people and supplies are tight.
- Component shortages crippling OE production despite customer demand.
- Cost increases: material, freight, labor. Passed some, absorbed a lot. Increased wages.
- COVID, labor shortages and suppliers
- Customers are not looking at change or at least making any type of change. They are looking for support from current/incumbent factories.
- Forecasts and schedules are no longer valid inputs to run a business. It's become reactionary.
- Have continues review on material availability. Labor availability, inventory due to customers shutdown in short notice
- Increases in demand coupled with supply chain challenges and increased lead times have led to more frequent meetings with customers and pre-buys of electronic components.

SUPPLIER PRESSURES

What is the greatest change you have noticed in market behavior in the past 18 months and what has your business had to do to adapt?

- Material inflation and labor availability
- Our biggest adaptations are due to the labor market. We have had to shift production of certain products to different facilities due to recruitment/retainment being nearly impossible in some geographic areas.
- Potential over-ordering to cover for delivery delays. Driving increased output and component supply to meet demands.
- Strength of rebound has initiated a 'new' CV build cycle
- Sudden shutdown from customers
- Supply chain interruptions, labor shortages, COVID spikes — adapting by flexible operations and scheduling, reinstating stricter COVID protocols
- The component shortages for steel. Since most of our steel purchases are directed by customer base, we have to work more closely with customers to assure adequate supply to meet their needs.
- The lack of travel has limited communication opportunities with customers. They only accept virtual meetings when they need something and ignore the ones when we need something.

SUPPLIER PRESSURES

Looking forward another 18 months, what is the most significant change you foresee in the commercial vehicle market?

- Better forecasting for sure, maybe even some stimulated "buy ins" to get stock and not necessarily with a discount, more of an allotment until supply meets back up with the demand.
- Continued supply chain interruptions
- Continuing logistics challenges and electronic shortages.
- Demand is high but suppliers will struggle with capacity.
- Demand stability, chip availability, and worker availability (internally and at sub suppliers)
- Expect chip situation to improve putting increased pressure on all other components to catch up.
- Freight premiums
- Getting the supply chain fixed and raw material costs under control
- Hopefully elimination of the 20-some component shortages that are causing delays and alterations to production build schedule.
- I think we will see minimal change/improvement during this time. Status quo until mid/late 2023.



SUPPLIER PRESSURES

Looking forward another 18 months, what is the most significant change you foresee in the commercial vehicle market?

- Inflationary correction
- Labor availability
- Labor market is limited and we are having difficulty hiring. I am not sure I see anything different happening in the next 18 months that will change that. The power shutdowns in China are limiting output for domestic supply. China will clearly prioritize providing power to support domestic businesses, as opposed to anything focused on export, especially to the US. This will lead to additional supply chain issues for components from China.
- Managing inventory
- Material availability
- Semiconductors
- Supplies and pricing
- Supply chain stability
- To this point, inflation has not seemed to constrain demand at all. At some point it will, which will necessitate hard decisions on whether to start lowering pricing and pressuring margins to maintain volume or not.

OCTOBER PULSE POLL

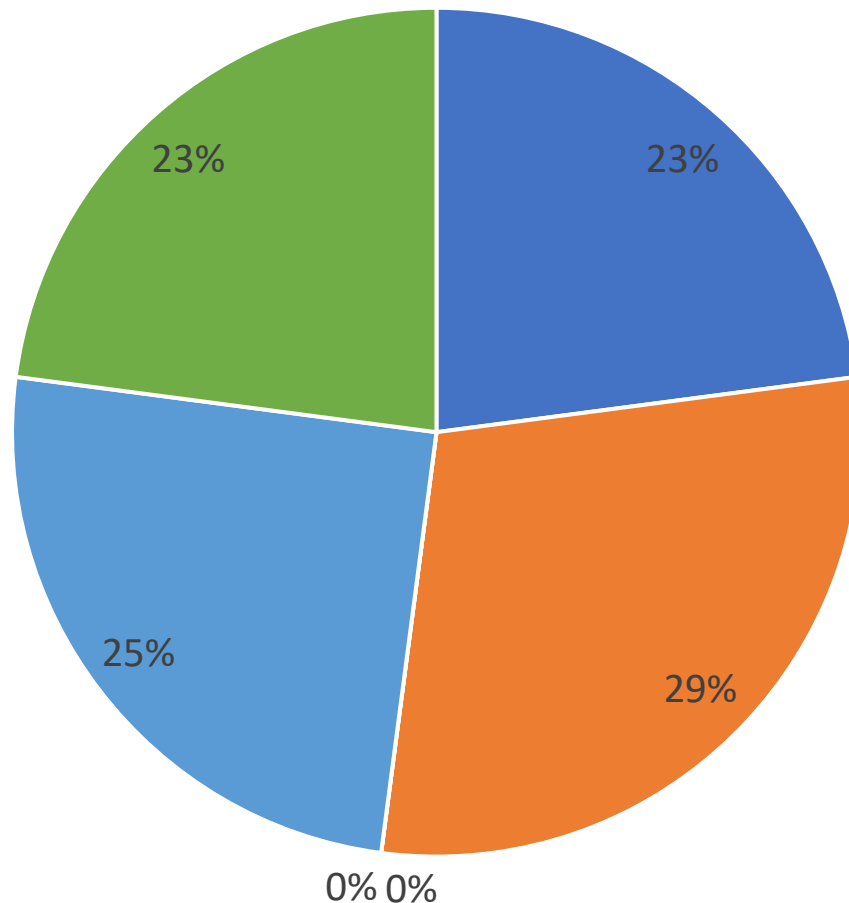
How would you rate your general staff morale:

- **In need of significant improvement – 23%**
- **In need of some improvement – 23%**
- **Low but manageable – 17%**
- **Normal – 34%**
- **Higher than normal – 3%**



SUPPLIER CONCERNS

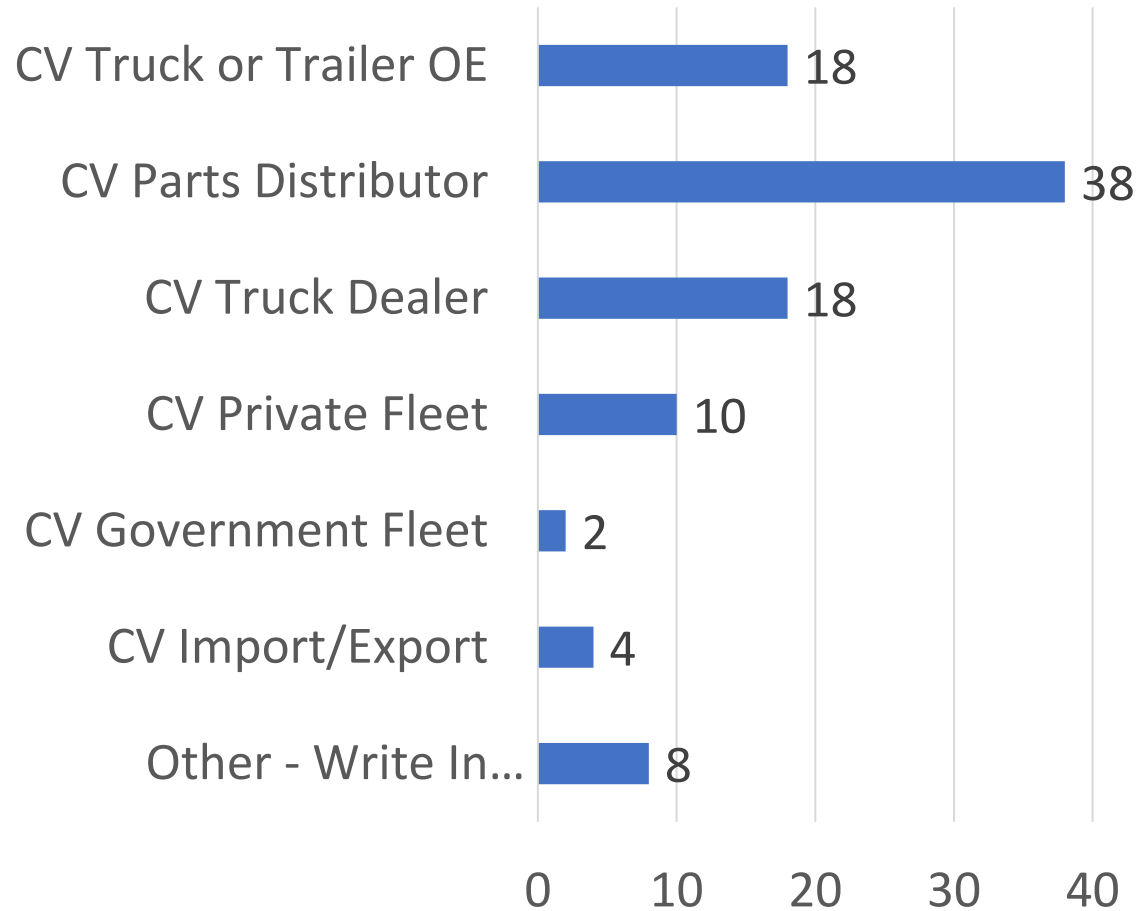
Please choose the most significant three (3) regarding the challenge they present to restarting normal business operations?



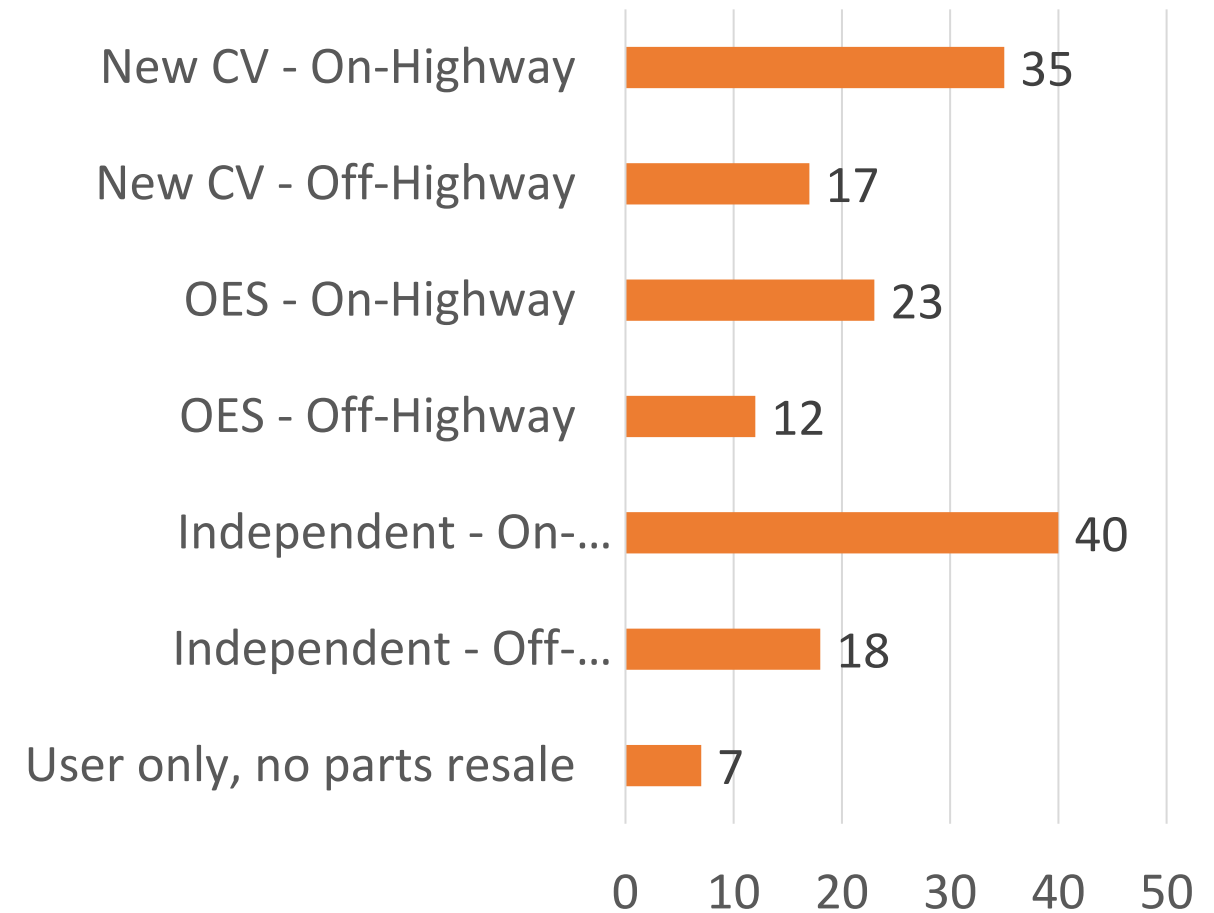
- Accuracy of production and demand forecasts
- Raw material and semi-finished goods procurement
- Closure mandates of own facilities
- Customer liquidity
- Inbound/outbound shipper availability and cost
- Labor force readiness and availability

HDMRC FIELD SURVEY 2021

Which market segments does your company serve?

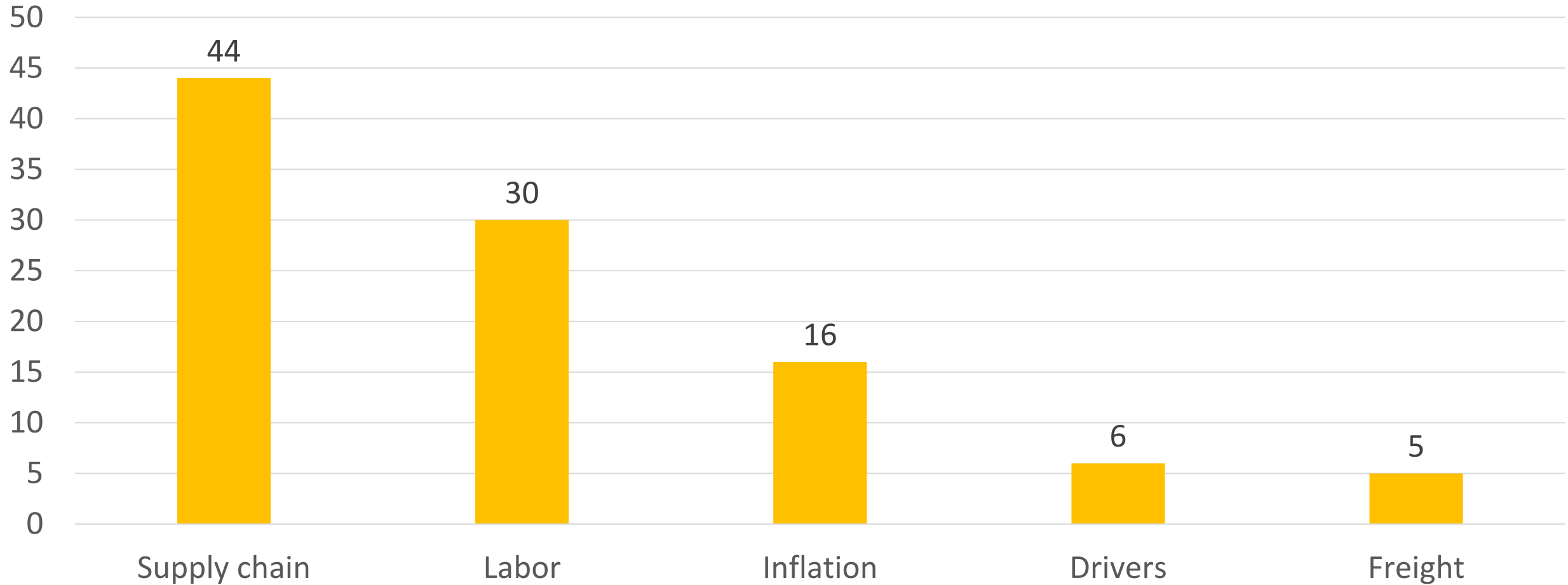


Into which markets does that business sell?



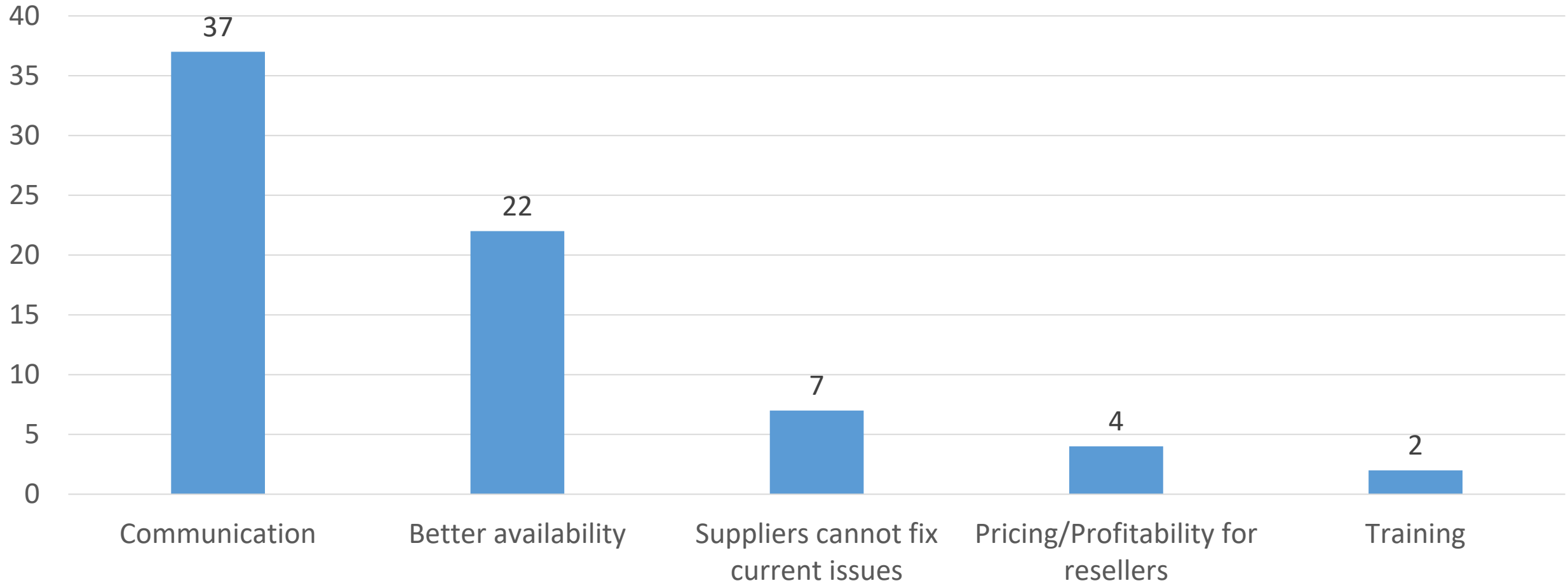
HDMRC FIELD SURVEY 2021

What is the greatest challenge faced by your business today?



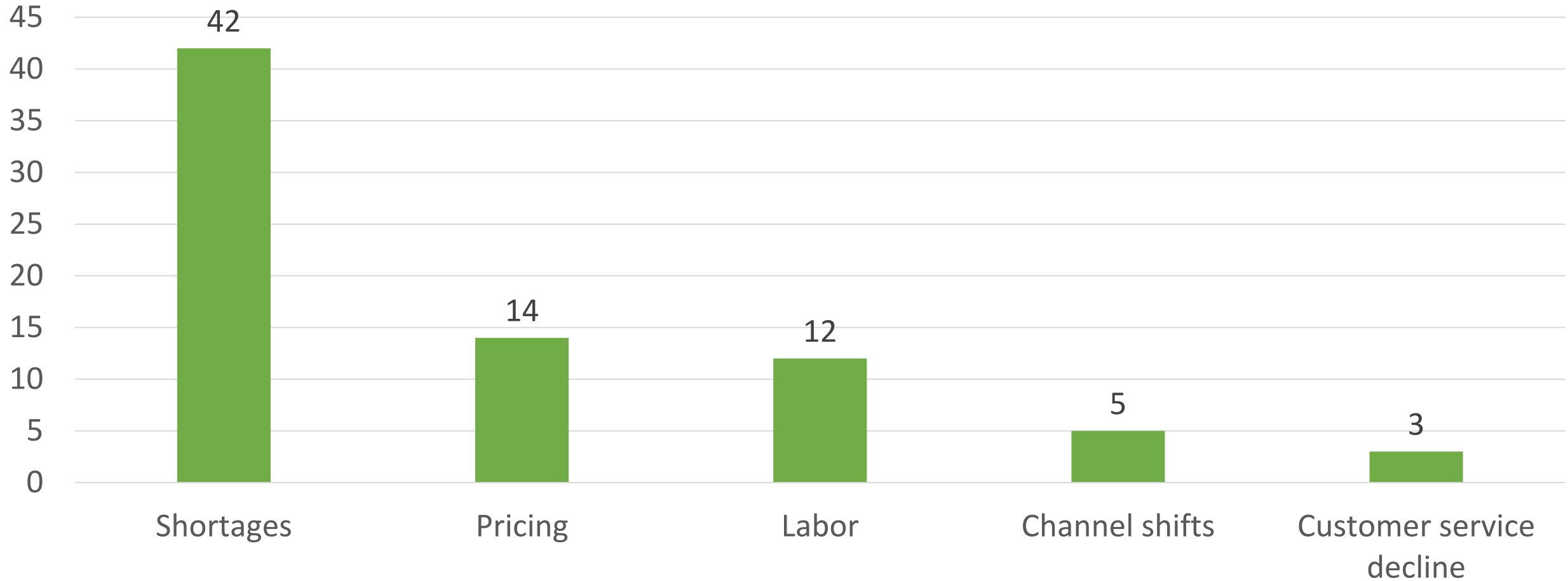
HDMRC FIELD SURVEY 2021

What can parts suppliers do better?



HDMRC FIELD SURVEY 2021

What is the biggest change you have seen in the market in the last 18 months?



HDMA STAFF CONTACTS

HDMA Staff

Dave Giroux
President & COO
Mobile: (503) 894-4884
dgiroux@hdma.org

Katelyn Litalien
Director, Marketing Operations
(919) 406-8848
klitalien@hdma.org

Ashley McLeod
Manager, Events & Member Engagement
(919) 406-8803
amcleod@hdma.org

Danielle Kaspar
Manager, Councils & Member Engagement
(919) 406-8847
dkaspar@hdma.org

Caterina Pontoriero
Manager, Marketing Communications &
Member Engagement
(919) 406-8848
cpontoriero@hdma.org

Richard Anderson
Director, Market Research
(919) 406-8875
randerson@hdma.org

MEMA Staff

Bill Long
President & CEO
blong@mema.org

Ann Wilson
Senior Vice President, Government Affairs
awilson@mema.org

Catherine Boland
Vice President, Legislative Affairs
cboland@mema.org

Leigh Merino – RAC
Executive Director, Regulatory Affairs
lmerino@mema.org

Laurie Holmes
Senior Director, Environmental Policy
lholmes@mema.org

Brian Daugherty
CTO, MEMA (for HDMA and OESA)
bdaugherty@mema.org

