THE IMPACT OF COVID-19:
A QUICK RESPONSE GUIDE FOR AUTOMOTIVE LEADERS
A Quick Response Guide for Automotive Leaders

While companies execute contingency plans during this unprecedented time, opportunities exist for quick recovery.

During this time of unprecedented uncertainty, SAP is concerned about the safety and well-being of our families, colleagues, customers, partners, and the many friends who make up SAP’s vibrant global family. Our hearts are with those who have been affected personally by the outbreak of coronavirus (COVID-19), as well as the many communities around the world that are facing extreme measures in attempt to slow its spread.

For nearly 50 years, SAP has been honored by the trust our customers, suppliers, and partners place in us to run mission-critical business processes. In today’s challenging environment, we want to provide you more information on how to prepare for the eventual recovery in the automotive industry and what steps can be taken now to endure the COVID-19 crisis.
PREPARE FOR IMPACTS ACROSS THE AUTOMOTIVE ECOSYSTEM

IMPACTS TO THE MAKE SIDE OF AUTOMOTIVE

Since mid-January, significant impacts on both the make and sale of traditional automotive passenger, commercial vehicles, and products have occurred, first with plants in China and then across Asia-Pacific going offline as workers were isolated with various work-from-home and shelter-in-place mandates. While China exits the end of Q1 with a gradual recovery of manufacturing operations, most of Europe and the Americas will face similar “rolling shutdowns” planned into Q2 of this year. Many companies are planning to close plants and operations at the end of Q1 to allow for employees and contractors to take care of their families and personal health and to help stop the spread of the virus. During this time some idled plants will be sanitized, according to Automotive News on March 18, 2020.

However, as part of preparing for COVID-19, most countries identified many parts of the automotive industry ecosystem as “essential business,” allowing the transit and flow of parts and supplies, including across many international and trading borders. Suppliers should contact their customers to determine their updated production and fulfillment schedules as needed on a plant-by-plant and operation-by-operation basis. Then, suppliers can be as prepared as possible when production resumes and employees return to production operations.

IMPACTS TO THE BUY SIDE OF AUTOMOTIVE

While it is difficult to contemplate the impacts on the buy side of the automotive industry, there will be opportunity for those who can weather the storm of reduced consumer spending balanced with the availability of historically low financing options. Dealer analysts are expecting 0.7 ppts decline in the long-term price for new vehicles, as highlighted in Forbes on March 16, 2020, which could deepen based on recovery scenarios.

Brand companies will have the opportunity to buy market share in many sectors as their capitalization will allow through incentives, longer financing windows, and the introduction of high content and value platforms. Suppliers should remain in constant communication with brand companies as there is a likelihood for the delay, pivot, and acceleration of programs as the pandemic impacts reach steady-state levels.

Finally, the impact to the traditional showrooms remains a big wild card. Brand companies could see an uptick in online car configurators, sales platform use, and prequalified finance application approvals as customers experience early reluctance to return quickly at normal levels to automotive dealerships.

SPECIAL IMPLICATIONS FOR AUTOMOTIVE PARTS AND SUPPLY CHAIN

The automotive industry is supported by a number of strategic suppliers – remaining in constant contact with all of them to ensure they apply comparable mitigation practices with their teams, while still maintaining service levels, is imperative. Maintaining a database of updates and feedback from suppliers to ensure quick confirmation of documented information outlining COVID-19 protocols and practices they are supporting will be important to mitigate risk and prepare for recovery scenarios.

A particular area of opportunity for leaders in the automotive service and customer care space will be the availability and tracking of critical spare parts. We have worked with a number of companies in this space and our most recent Digital Aftermarket Study (co-sponsored with AASA) is available here. Coming out of the COVID-19 crisis, companies serving this space will have an opportunity to review their capabilities in the area of availability tracking of critical parts, how well their systems and processes handled the uncertainty of the crisis, and what preparations can be made to minimize the impact of future supply chain disruptions.
AUTOMOTIVE LEADERS CAN MAINTAIN CRITICAL BUSINESS OPERATIONS

**Business Continuity Plans:** Business continuity plans respond to disruptive incidents, such as COVID-19, while safeguarding the health of employees. These plans minimize the impact on the delivery of products and services to customers across the automotive industry.

Automotive leaders can put measures in place for all company-owned and co-located operations. Below are some of the steps that SAP has focused on, but we believe this advice is helpful to automotive leaders on a company-wide as well as industry-wide basis.

**Remote Working:** For many individuals, work can be conducted through remote connections, which enables teams to work off-site for most tasks. However, this may be significant change in work environment and team interaction for some individuals. Automotive leaders should consider the impact of working at home on their teams, how they interact, and if the proper remote work tools are available to them. Additionally, the lack of team interaction can reduce the sense of connectedness in the workplace. Understanding the sentiment of employees is critical, and using tools such as Employee Work Pulse can help management identify where employees may be challenged given these changes.

As remote access resources strain at an ecosystem level, workers will onboard to electronic platforms, education will move online globally, and streaming services such as Netflix and Amazon Prime are serving an upward spike in use. Ensuring good connectivity for remote workers across virtual private networks (VPN) environments for each company in the automotive industry is needed to ensure at least some degree of business continuity in remote work environments.

Learning will also need to change – there needs to be online resources to help educate workers who may be having trouble transitioning to this new work approach.

**On-Site Safety:** Where on-site work is required, staff who have to be on-site should be with the minimum amount of workforce required. In addition, there should be strict hygiene protocols and protective equipment available.

As automotive leaders, each company will need to determine what is appropriate in terms of precautions based on their business operations.

**HOW CAN SAP HELP?**

SAP has made several resources available to its customers, partners, and members of the industry:

*Remote Work Pulse by Qualtrics* helps organizations understand how their employees are doing and what support they need as they adapt to new work environments, helping organizations close experience gaps and maintain business continuity.

*The SAP® Ariba® Discovery solution* allows for the quick search of potential alternate suppliers as needed. This commitment will help buyers and suppliers connect quickly and effectively and minimize disruption caused by shipment delays, capacity issues, and increased consumer demand in times of crisis.

*SAP Litmos® solutions* help support businesses that are having to work remotely. SAP Litmos is offering a completely free remote readiness and effectiveness academy, with training content for anyone, anytime, anywhere. The ready-to-watch, video-based courses are designed to help establish best practices for remote work, maintain the highest levels of hygiene and mental wellness for workers, and develop leadership during times of change and challenge.