

JETRO's Fourth Quick Business Survey: Summary of Responses of Japanese Companies in the United States (May 27-June 1, 2020)

June 2, 2020

Japan External Trade Organization (JETRO)

New York
San Francisco
Los Angeles

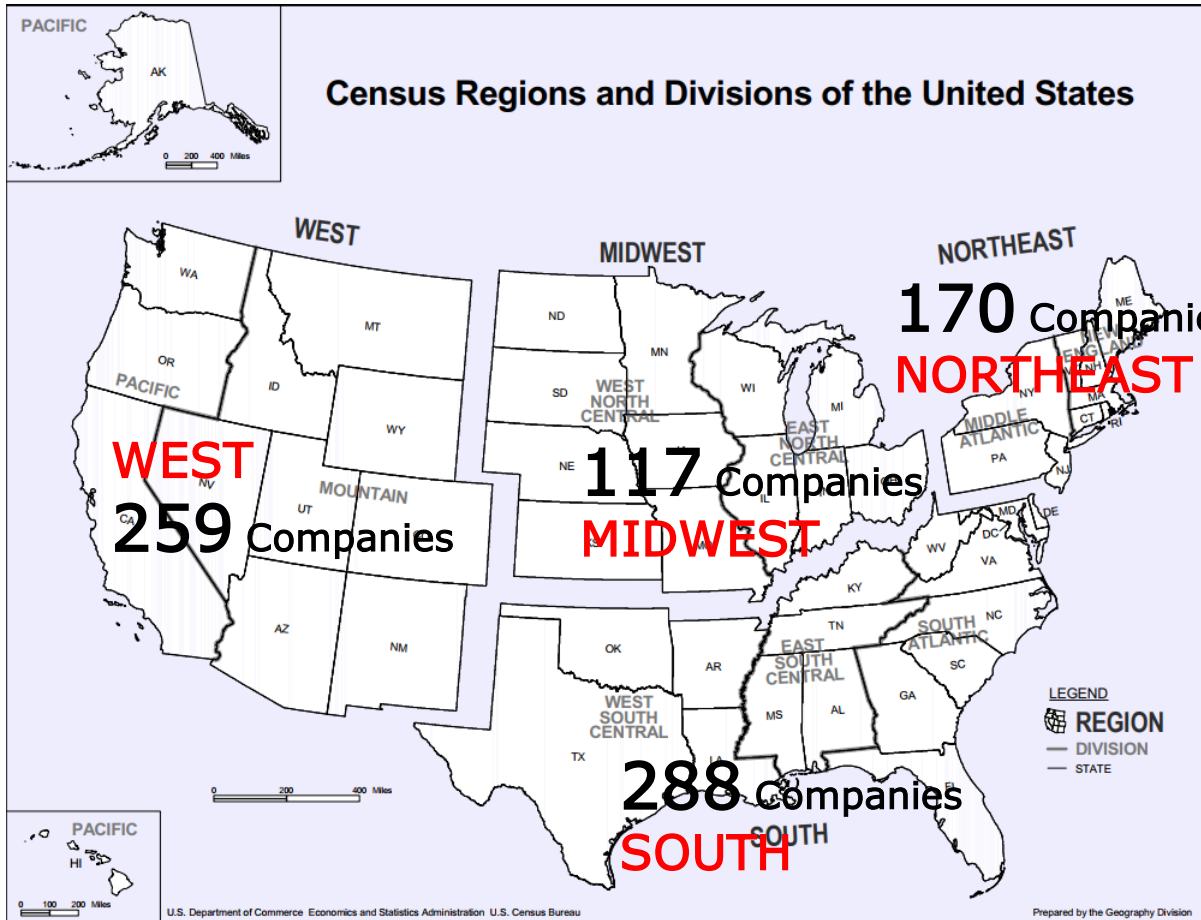
Chicago
Atlanta
Houston

Overview

Survey Period : May 27 – June 1, 2020

Valid responses : 834 Companies

(Respondents by Regions)



❖ Respondents by Industries

Manufacturing : 461
Non-manufacturing : 373

❖ Respondents by number of employees

1~10 : 211
11~100 : 308
101~500 : 188
More than 501 : 127

※For access to the first survey conducted from March 24 to 26:
https://www.jetro.go.jp/ext_images/world/covid-19/us/doc_us_en01.pdf

※For access to the second survey conducted from April 6 to 8:
https://www.jetro.go.jp/ext_images/world/covid-19/us/doc_us_en02.pdf

※For access to the third survey conducted from April 28 to 30:
https://www.jetro.go.jp/ext_images/world/covid-19/us/doc_us_en03.pdf

Created by JETRO based on the Census Bureau's regional classification

Note: Hawaii is classified as West

■ Key Findings from JETRO's Fourth Business Survey (1)

1. Sales and Production Status

- 75% of companies have seen a decrease in sales in the past month. **Only 30% of these companies expect to recover their sales within this year.**
- **Most companies have resumed their production.** Companies that have suspended production have decreased significantly from 28.2% in the previous survey to 3.3%.

2. Status and Issues of Business Resumption

- The number of companies recently allowed to resume business upon re-opening the economy is 13%.
- Even though business has resumed, **not many companies plan to have all employees return to work by the end of the year.** [Only 20% in the non-manufacturing sector, 40% in the manufacturing sector]
- This may indicate that working from home has been widely accepted.
- **The main challenges upon reopening businesses are “ensuring safety in the workplace”, “securing enough PPE products”, “understanding the guidelines to resume business” and “alleviating employee concerns”.**
- Only a few companies showed concerns with supply chain delays.

■ Key Findings from JETRO's Fourth Business Survey (2)

3. Post COVID-19 Business Strategy

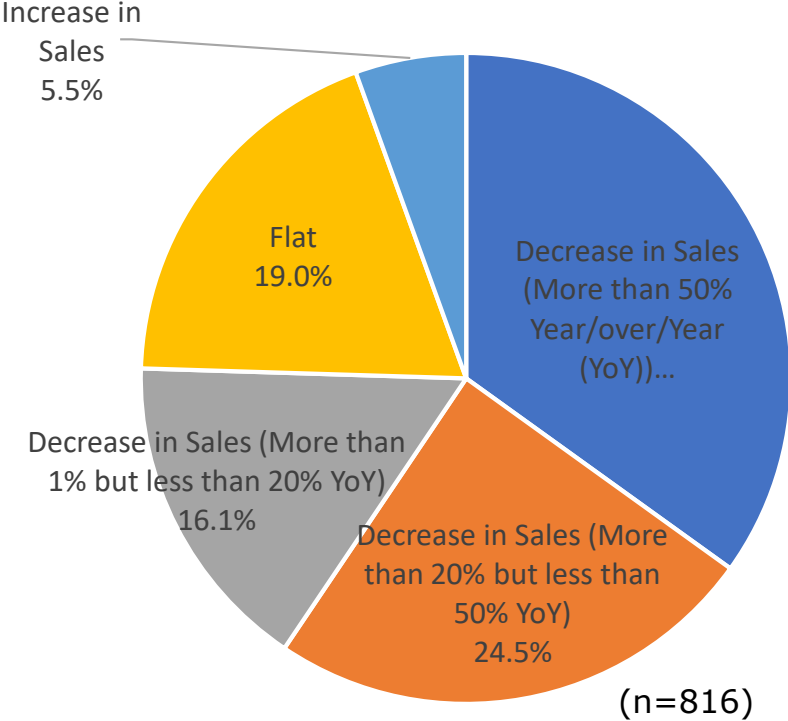
- **30% of companies are planning to change their supply chain, while 70% of companies do not plan to do so.**
- The former 30% of companies are considering a reevaluation of their supply chain due to COVID-19 and the US-China trade friction. **Reevaluation includes diversification of suppliers, procuring more products within the US and expansion of production in the US.**
- There are indications that companies are more actively adjusting to the new normal, rather than returning to a pre-COVID19 world.
- Preparing for the post new normal includes introducing new technologies related to contactless or remote work models, digitalization, automation and so on.
- There are companies considering to decrease expat employees, since they are forced to change work processes and operational flow during this unprecedented time.

** JETRO will continue providing information necessary for reopening businesses and provide free consultation services to Japanese companies on a case-by-case basis.*

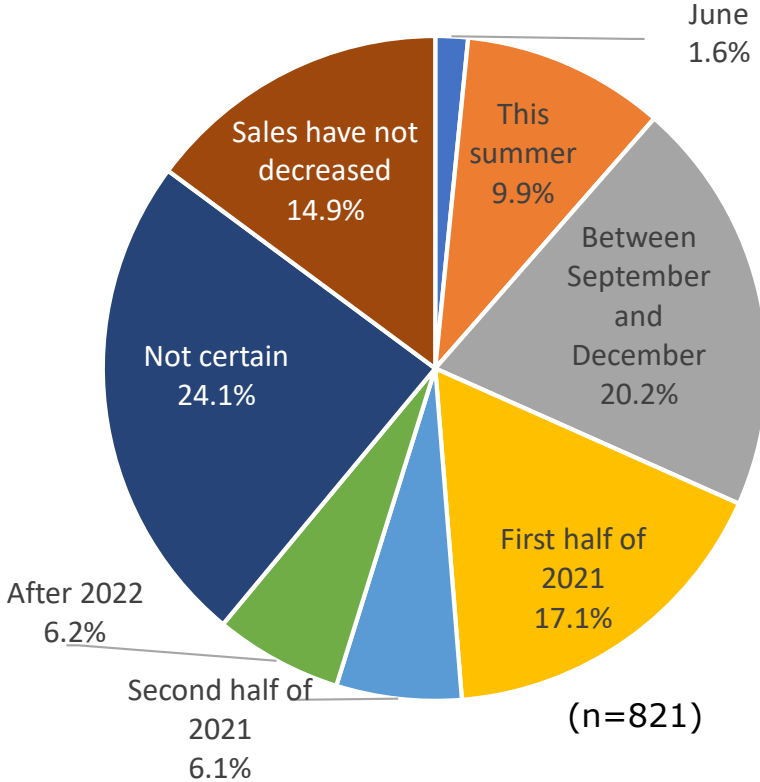
1. Impact on Sales

- 75.5% of companies stated their sales have decreased in the past month. More than 30% of companies stated their sales have continued to decline by more than 50%, which indicates that the situation continues to be severe.
- Only 30% of companies expect sales to recover by the end of the year and just over 20% expect recovery by 2021. Approximately 25% of companies are uncertain when sales will recover. Some companies stated sales may not recover before 2022.

Sales in May 2020 (US)



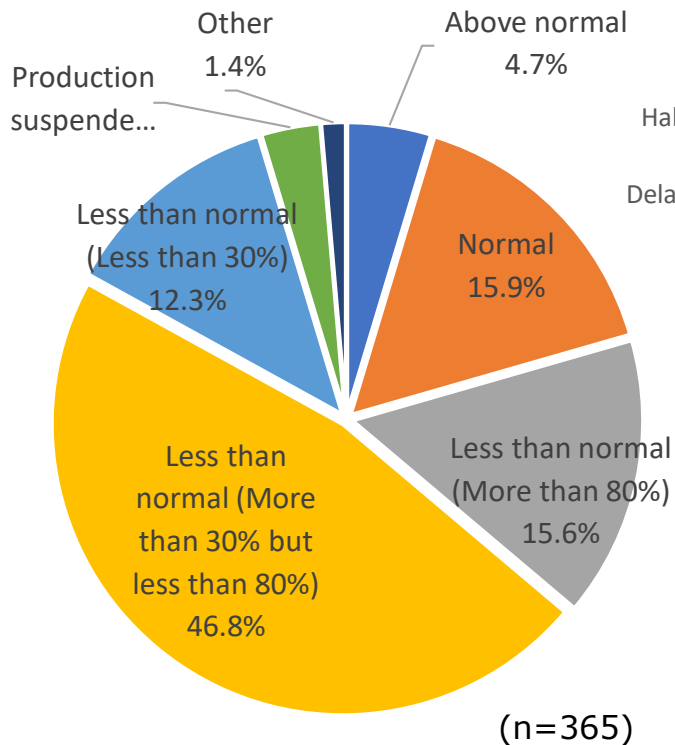
Timeframe for Recovery to Pre-COVID-19 Levels



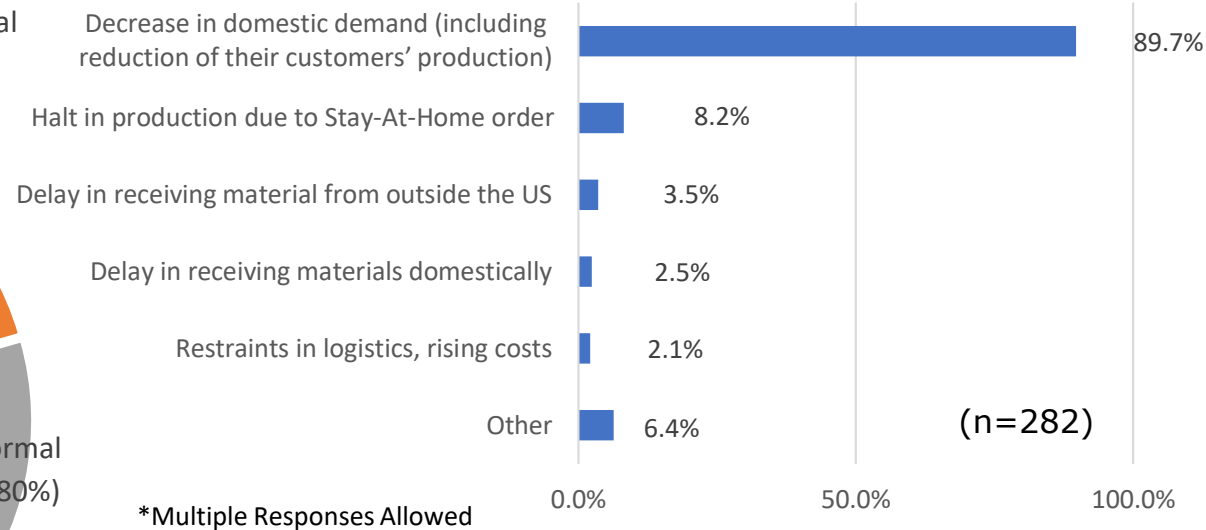
2. Production Status for Manufacturing Companies

- A Majority of companies have resumed production. Approximately 80% of companies have suspended or reduced production. However, the number of companies that have suspended production has decreased significantly from 28.2% in the previous survey to 3.3%.
- The leading factor was a decrease in demand (89.7%), followed by the suspension of factory operations due to the Stay-At-Home orders (8.2%), delays in receiving materials from overseas (3.5%), and other (6.4%).

Production Status



Factors of Production Decrease



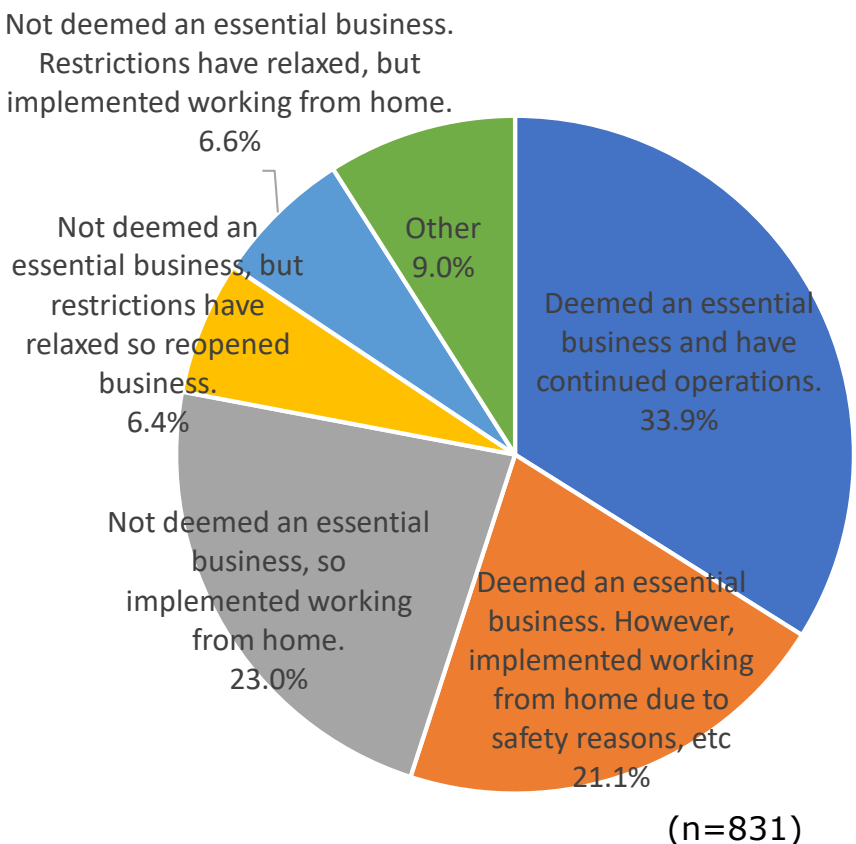
(Other Factors Contributing to Decrease in Production)

- Operating with a reduced number of workers for each process.
- Reduced rate of operation due to measures to prevent infection.
- Decrease in overseas demand.
- Decreased number of new orders due to suspension of sales activities

3. Business Implementation Under Economic Reopening

- While 13% of companies are allowed to resume their business when reopening the economy, the half of them continue to allow employees to work from home for safety reasons. For companies deemed a non-essential business and implemented working from home, the number decreased from 35.1% in the previous survey to 23.0%.
- Overall, 50% of companies still continue to have employees work from home. Of those, 30% are in the manufacturing industry and 70% are in the non-manufacturing sector.

Essential Business/ Working from Home



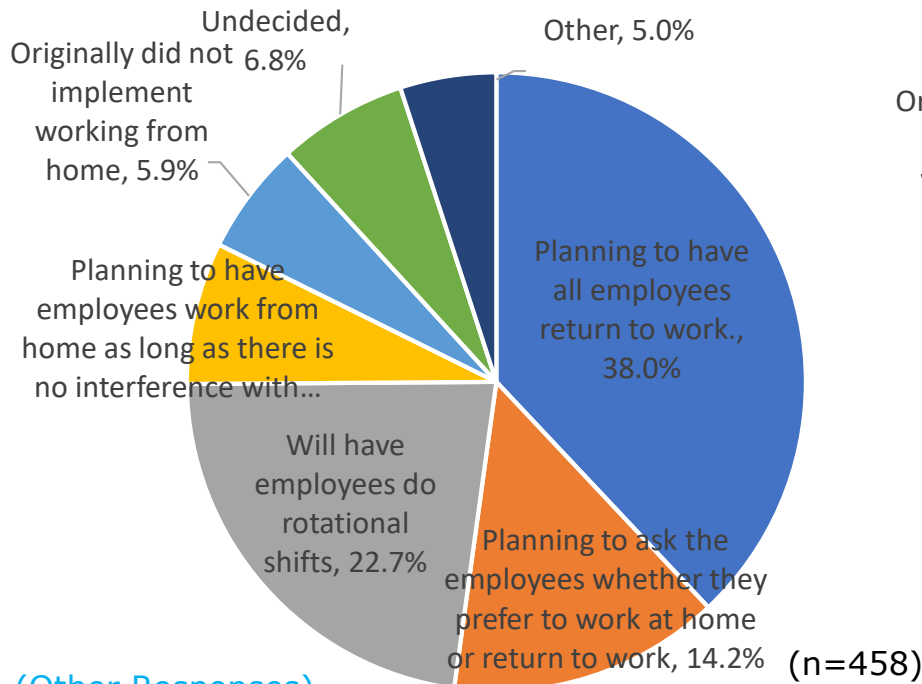
(Other Responses)

- We are deemed an essential business, but...**
 - Due to the increase in product inventory, operations will be suspended by the end of May and return to normal in June.
 - Operation is suspended due to a sharp decrease in the number of orders from customers.
 - There is no business at all.
 - 30% of office staff work in rotating shifts, while factory operations are suspended.
 - Production workers go to work at the factory and office workers are working from home.
 - Implementing both reduced hours and working from home.
 - We have divided our member into 2 teams and continue to operate with the minimum number of employees necessary.
- We are not deemed an essential business, but...**
 - Since the regulations have been relaxed, we reopened our business with 25% of maximum capacity in the workplace.
- Other**
 - Fully resumed business at office, finishing working from home.
 - Gradually resumed business with rotating shifts.
 - We have operations in several different states. Since regulations vary by state, some of our locations are now open , while some are continuing working from home.

4. Plans for Resuming Business

- While nearly 40% of manufacturing companies plan to have all employees return to work by the end of the year, less than 20% of non-manufacturing companies plan to do so.
- For the non-manufacturing companies, 20% are offering employees an option to keep working from home. Over 15% of companies are continuing working from home as there is no issue for daily operations. This is an indication that working from home may be the long-term option.

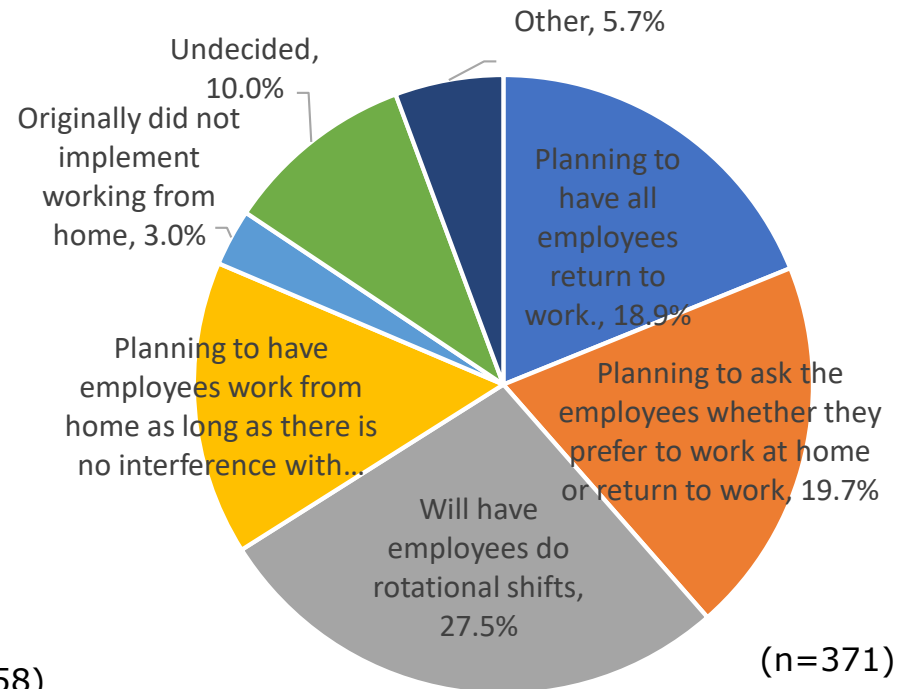
Plans for Employees to Return to Work by the End of the Year (Manufacturing Industry)



(Other Responses)

- Planning to decide about implementing working from home or returning to the workplace depending on each department and job position.
- Planning to have employees return to work gradually.

Plans for Employees to Return to Work by the End of the Year (Non-Manufacturing Industry)



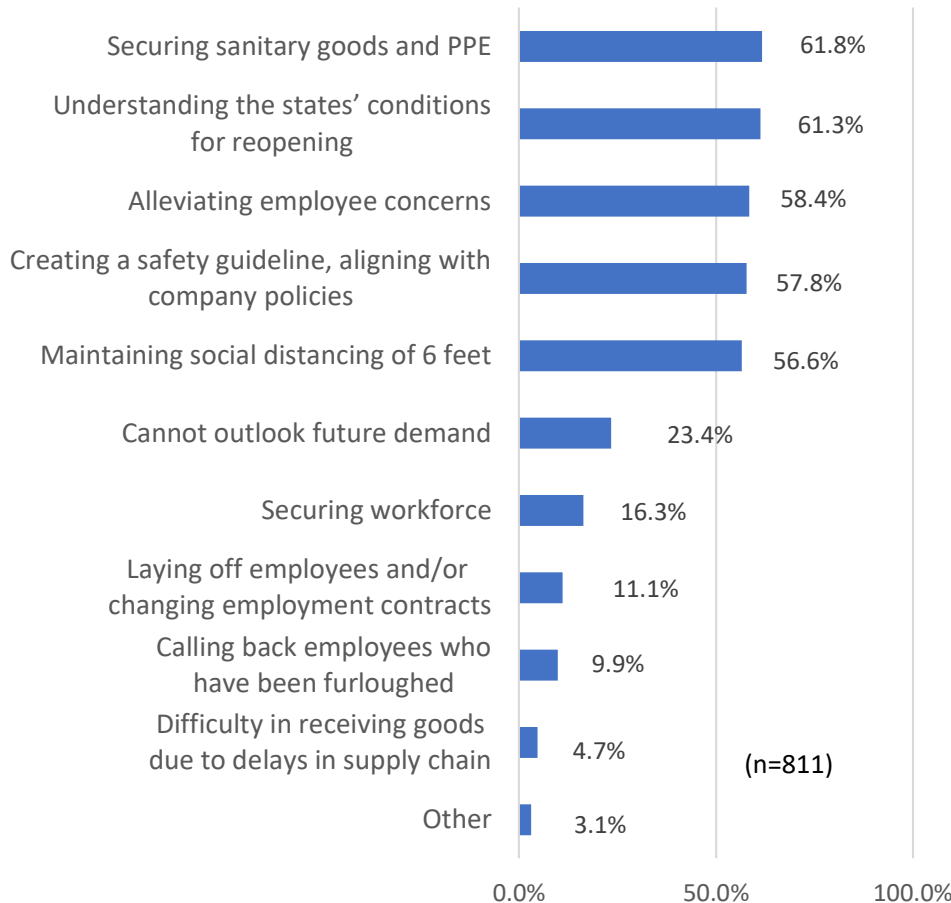
(Other Responses)

- Upon request, employees will be allowed to work from home up to two days a week.

5. Challenges for Resuming Business

- A majority of companies stated that ensuring safety in the workplace is a major challenge. This includes securing PPE products, understanding the states' guidelines for reopening business, alleviating employee concerns and creating new safety guidelines.
- On the other hand, only 4.7% of companies stated delays to their supply chain is a challenge.

Challenges Related to Resuming Business Activities



(Other Responses)

<Reopening plans for each state, drafting guidelines>

- It takes time to gather information from different states since regulations vary state by state.
- To establish guidelines for each office since they are located in several states.
- The regulation standards issued by the states and local governments are too lenient. Therefore, we have to create our own solid standards for resuming business.

<Other Responses>

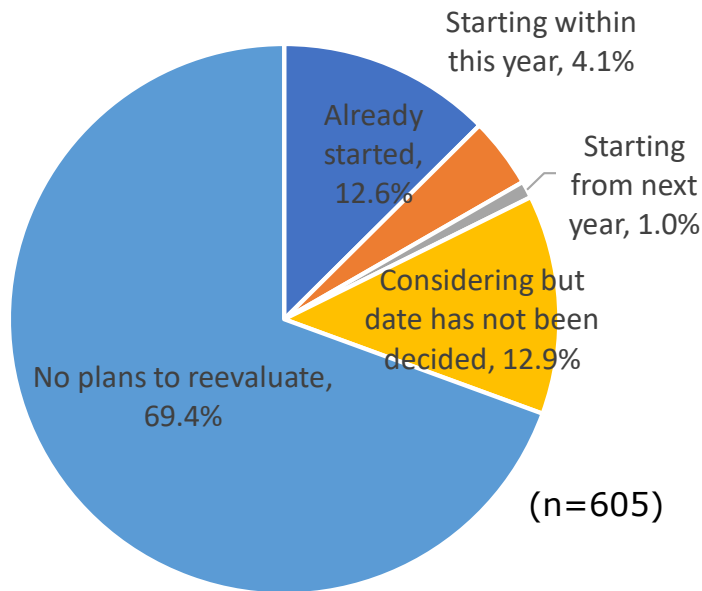
- It is difficult to hire new employees, possibly due to the added unemployment insurance benefit.
- Additional costs related to delays and epidemic prevention make things extremely difficult. There is a dispute over liabilities related to these additional cost issues, as well.
- There is a concern for the spread of COVID-19, since there are other tenants in the building.
- Since airlines are decreasing the number of flights from Japan, shipping costs have increased drastically.
- It is difficult to make a decision if we can use public transportation due to safety concerns.

※ Refer to pages 13-14 for more challenges that companies are struggling to address.

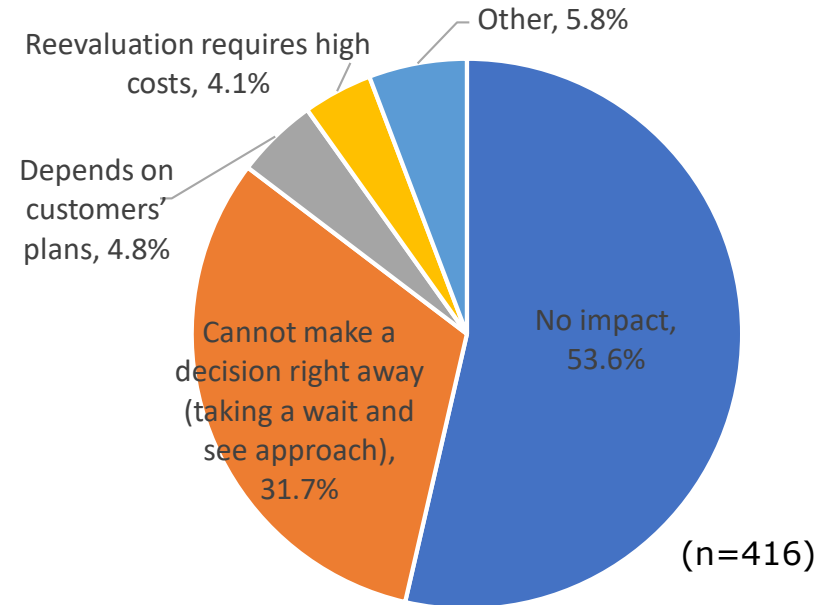
6-1. Re-evaluation of Supply Chain

- 70% of companies do not plan on reevaluating their supply chain. Of these companies, over 50% stated that COVID19 had no impact on their supply chain. 30% stated they are taking a wait-and-see approach.
- This may be due to the fact that for Japanese companies operating in the US, 60% have suppliers in the US and less than 10% have suppliers in China or ASEAN member countries. *Based on the 2019 survey of Japanese companies operating in the US.
- On the other hand, 30% are considering to change their supply chain.

Timeframe for Reevaluating Supply Chain



Reasons for NOT Reevaluating Supply Chain



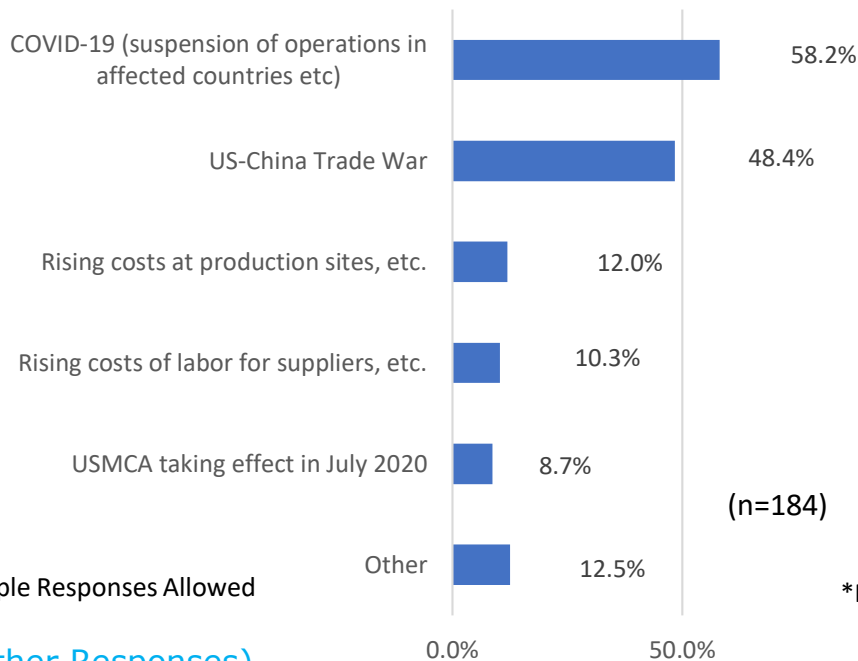
(Other Reasons for NOT Reevaluating Supply Chain)

- It is impossible to reevaluate because the orders are customized products requested by the customer.
- We are looking for an alternative business partner but it has been very difficult.
- More than 80% of purchases are based on decisions of the HQ office in Japan.

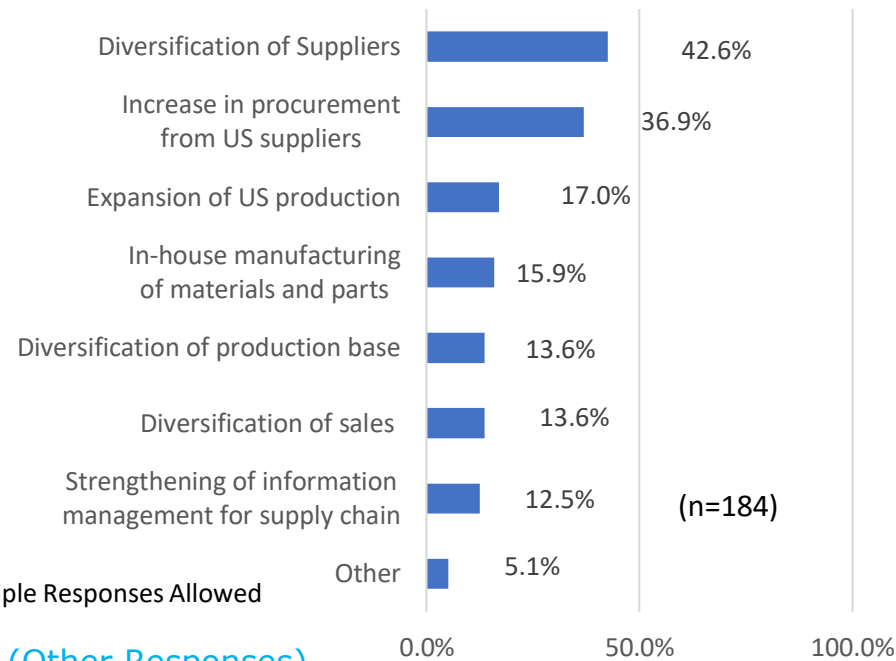
6-2. Supply Chain Re-evaluation Considerations

- 30% of companies are considering re-evaluating their supply chains.
- Of those, 60% stated they are considering re-evaluating their supply chain due to the impact of the COVID-19 and approximately 50% stated due to the US-China trade conflict.
- While 42.6% of companies stated they are considering diversifying suppliers, 36.9% stated they are increasing procurement from US suppliers. Additionally, 17% stated they are expanding their production in the US. Companies plan to further diversify their supply chain and focus on local production and consumption.

Reasons for Reevaluating Supply Chain



Directions in Reevaluating Supply Chain



(Other Responses)

(Other Responses)

- Reevaluation of customers due to market changes.
- Geographical diversification of suppliers for materials.
- Changes in the sales channel. Sharp increase in online sales.

- Enhancement of e-commerce
- Narrowing down on target customers
- Strengthening logistical management

7. Post COVID-19 Outbreak Business Outlook (Part 1)

- Implement a complete work from home policy with digitalization technologies.
- To minimize contact between people, explore opportunities in automation and contactless services and seeking for new e-commerce market.
- Some companies are strengthening IT infrastructure and cybersecurity, software to conduct online business meetings and digital marketing tools.

New Business Model and Business Strategies in Response to Business Environmental Changes due to COVID-19

(Sample Responses)

■ Promoting Work from Home

- Shifting to a new work flow where employees can mainly work from home.
- Reduce office space and implement working from home.
- Standardize working from home for certain positions.
- In the future, we are looking to terminate our office lease and continue business operations by working from home.
- To allow more employees to work from home, we will enhance cyber security and revise employee handbook. Additionally, we plan to go paperless in order to share work among team members, which will result in reducing the rental costs for the office.
- We plan to digitalize documents for implementing working from home as much as possible.
- Revamping IT systems, promoting working from home and going paperless.
- Improve environments for working from home with new technologies, including digitalizing documents and new workflow.

7. Post COVID-19 Outbreak Business Outlook (Part 2)

■ Technologies Related to Automation, Unmanned Operations for Contactless Services

- We will accelerate our plans to promote automation and contactless services to minimize contact between people.
- We will advance our efforts for automation to reduce any risks related to “human”.
- Make preparations for contactless customer service.
- Accelerate digital marketing (for conducting online business meetings, holding demonstrations, running exhibitions, training, and customer services).
- Increase investment in digitalization.

■ Responding IT and Digital Needs

- Reevaluation of customer service flow in order to respond to customers’ needs of digitalization.
- A further shift to IoT business related to contactless service due to the increase of market demand.
- Develop products that meet the market needs of the remote work.
- Develop software for conducting online business meetings.
- Enhancing e-commerce business.
- Start e-commerce business.

7. Post COVID-19 Outbreak Business Outlook (Part 3)

- Companies are re-evaluating various areas including obtaining additional funds for better cash flow (Financing), restructuring non-core business operations (Business Management), hiring more employees locally (Employment and HR Management), re-selecting and focusing on specific target customers (Sales) and re-evaluate global supply chain (Supply Chain).

New Business Model and Business Strategies in Response to Business Environmental Changes due to COVID19

(Sample Responses)

■ Financing

- Reduction of production costs.
- Reduction of fixed costs.
- Reevaluation of the scale of risk money.
- Reschedule finance (get advanced)

■ Business Management

- Promote M&A.
- Develop alliances with group companies in North America and Europe.
- Reorganization of affiliated companies in the US.
- Reevaluation of directly-managed stores.
- Strengthen business continuity planning initiatives.
- Restructuring non-core business operations.

■ Employment and HR Management

- Accelerating the schedule for local procurement of human resources.
- Reevaluation of employment contract and benefit.

7. Post COVID-19 Outbreak Business Outlook (Part 4)

■ Employment and HR Management (continue)

- Review HR policies to allow more flexibility on employment adjustment.
- Layoffs are inevitable for us at this moment. We need to establish a more efficient system for production. We are also considering having expatriates return to Japan ahead of schedule.

■ Sales

- Reconsider the release schedule of new products.
- Develop new sales channels.
- Gradually shift the weight of sales from the automobile industry to other industries.
- Diversify customers by strengthening customer services.
- Reselecting and focusing on specific target customers. Shift sales activities from large business to small business.
- Expanding the local market.
- Diversify sales methods.

■ Supply Chain

- Focus on producing locally and selling locally so that all business can be completed in the US.
- Consider moving production to other countries than the US.
- Considering to diversify our supply chain from China to other countries.
- Expand product lines and avoid concentrating on specific products.
- Reevaluate credit risk of business partners (for customers and suppliers).
- Considering to establish a production facility using our own capital. This will enable us to manufacture products on our own, shifting from the current production with a joint technical tie-up company.
- Strengthening R&D capabilities in the US, so that the US team can develop products solely for the US market.

8. Challenges that Companies are Struggling to Address (Part 1)

■ Resuming Business and Ensuring Safety

- Upon reopening, I worry about the cases of our employees who were infected.
- If an employee becomes infected, I am not sure if we can actually close the office / factory.
- If an employee has a slight fever after taking a temperature test, I am not sure whether we should have other employees return home.
- If an employee refuses to come to the office, it will be difficult to foster fairness for other employees.
- We will need to ensure the safety of employees who use public transportation when commuting or traveling.
- It is difficult to obtain PPE such as masks.
- I would like to have a guideline on how long we should continue to check temperatures.
- Since the payment for unemployment insurance benefit has increased, it may be difficult to have talented employees return to work.
- I would like to be advised on how long employees should continue working from home.
- It is difficult to decide whether we should restructure the team with concerns of a second wave of an outbreak.
- If we need to have more office space in order to keep social distancing, we should consider moving to another location.
- There is a lack of uniformity between the federal, state and local governments on regulations involving decisions on business reopening and infection prevention measures, which makes it difficult for us to understand.

8. Challenges that Companies are Struggling to Address (Part 2)

■ Business Recovery

- Business has resumed but sales have not recovered, so we are having negative earnings.
- We cannot keep up with the rapid deterioration of our business.
- Since there is uncertainty about the outlook of the automotive industry, it is not possible to make decisions on future measures.
- Due to our deteriorating earnings, it has become difficult to participate in exhibition events.
- Upon reopening, we do not know how to obtain new customers with digital marketing.

■ Public Assistance Programs for Business Operations (Such as the Paycheck Protection Program)

- We would like to know other Japanese companies' situations related to PPP.
- Regarding PPP exemption rules, I would like to know the requirements and necessary documents needed to apply.
- After obtaining approval for PPP, it was requested that we pay back the amount we received. However, now we received a letter stating that they won't accept it, which is very confusing.

■ Visa, Immigration and Travel Restrictions

- We are in a difficult situation due to the suspension of visa interviews at the US Embassy in Japan, and delays in I-94 extension application processing in the US.
- An expatriate was supposed to arrive in the US in April, but we are still not certain when he will be able to arrive the US. We are concerned if they will be able to settle in after arrival.

8. Challenges Companies are Struggling to Address (Part 3)

■ Visa, Immigration and Travel Restrictions (continue)

- Since it is uncertain when it will be possible to obtain a new visa, this is affecting our corporate HR strategy, as a whole.
- I would like to know more about the transportation and transit information when traveling between Japan and the US.
- Traveling between the US and Japan has become very inconvenient. It is such a burden to undergo a two-week quarantine in both the US and Japan.
- Due to restrictions with entry and travel, we have less workforce and technical support available for factories.
- It is difficult to determine when it will be safe to resume business trips.
- It is difficult to understand the travel restrictions imposed by the state governments.

■ Supply Chain

- Due to the decrease in the number of international flights, imports have been delayed and costs have risen. Due to this, import costs are higher than before, however we cannot account for this extra cost in our product sales.
- The export regulations on personal protective equipment is not clear. Because of this, it is taking longer to process export shipments at the ports and costs have risen.

8. Challenges Companies are Struggling to Address (Part 4)

■ Economic Outlook

- After resuming the economy, there is no prospect on how consumer behavior will change and how much of their demand will recover.
- I am worried about the unemployment situation since the rise in unemployment leads to a downturn in consumption.
- I am concerned since the outlook for the US economy is uncertain. There are also concerns about the impact of a second wave of COVID-19 outbreak.
- It is difficult to retain talent and also to lay off employees since the future remains uncertain.

■ Daily Life and Other

- Since government offices have been closed, I cannot obtain or renew my driver's license and social security number.
- I am concerned about racial discrimination and the deterioration in public security.
- There are challenges managing security issues such as handling confidential documents, when employees are working from home.
- Construction work has been suspended for the renovation for our office and we are uncertain when our business can reopen.
- It remains a challenge to be able to quickly adjust to the new normal and draw a new corporate strategy.
- Our HQ in Japan finds it difficult to understand the situation in the US correctly.

JETRO's COVID-19 Consultation Service for Japanese Companies Operating in the US

- With the rising spread of COVID-19, Japanese companies with operations in the US have been significantly impacted. In response to this situation and to provide support to Japanese companies that have been impacted by COVID-19, JETRO USA has started a consultation service in all regional offices in North America.

1. Individual Consultation with Local Experts

JETRO has teamed up with local experts such as lawyers and accountants to provide complimentary individual consultations on for example, labor, legal, and tax issues encountered by Japanese companies.

2. Responding to Individual Consultations and Inquiries

We will respond to various inquiries, including questions about information published on our website.

Please submit your application online using the link below (in Japanese):

https://www.jetro.go.jp/jetro/overseas/us_newyork/info/20200403.html

JETRO Website (in Japanese)

“Impact of the COVID-19 Crisis” at the link below:

<https://www.jetro.go.jp/world/covid-19/us/>

JETRO
日本貿易振興機構(ジェトロ)

海外ビジネス情報 ▾ サービス ▾ | 国・地域別に見る ▾ 目的別に見る ▾ 産業別に見る ▾

国・地域別に見る > 特集：新型コロナウイルス感染拡大の影響

特集 新型コロナウイルス感染拡大の影響

このページを印刷する

中国湖北省武漢市で発生した新型コロナウイルスによる感染は世界各地に拡大し、感染者や死者の増加など、引き続きその状況は深刻では、世界各国の感染拡大に伴う制限や経済への影響、政府等による経済対策、事業者支援策を各地域ごとに報告する。

▶ 北米 ▶ 欧州 ▶ アジア

▶ 中国 ▶ 中東 ▶ アフリカ

▶ 海外進出日系企業向け資金繰り支援のご紹介 (921KB) ▶ 進出日系企業への緊急調査結果 ▶ お問合せ

JETRO
日本貿易振興機構(ジェトロ)

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国・地域別に見る > 特集：新型コロナウイルス感染拡大の影響 > 北米における新型コロナウイルス対応状況

特集：新型コロナウイルス感染拡大の影響

北米における新型コロナウイルス対応状況

- 米・在カナダ日系企業への緊急アンケート調査結果
- 解説レポート/WEBセミナーによる解説
- 米国
 - 各州・自治体情報 (自宅待機命令・経済再開の状況)
- カナダ
 - 事業者・ビジネス関連措置
- 日系企業向け相談窓口のご案内

新着ニュース (ビジネス短信)

2020年6月1日 米ニューヨーク市、6月8日から経済再開へ(米国)

2020年6月1日 米ジョージア州でバーなどの再開許可、フロリダ州では大型遊園地に再開の動き、南東部州の経済再開状況(米国)

各州・自治体の経済再開状況

自宅待機命令の終了日時、経済の部分的再開の開始日時はそれぞれ自治体のリリース等へのリンクです。

州	政府機関	特設サイト	自宅待機命令		経済の部分的再開	
			状況	開始日時	終了日時	開始日時
Alabama	▶ 政府機関	▶ 特設サイト	解除	4月4日午後5時	4月30日午後5時 (160KB)	4月30日 (654KB)
Alaska	▶ 政府機関	▶ 特設サイト	解除	3月28日午前8時	4月24日午前8時	4月24日 (380KB)
Arizona	▶ 政府機関	▶ 特設サイト	解除	3月31日午後5時	5月15日午後11時 59分 (2.5MB)	5月4日 (39KB)
Arkansas	▶ 政府機関	▶ 特設サイト	発令せず			5月4日 (日本からのアクセスは不可)
California	▶ 政府機関	▶ 特設サイト	発令中	3月19日	リンク (174KB)	5月8日 (時期は郡によって異なる)
Colorado	▶ 政府機関	▶ 特設サイト	解除	3月26日午前6時	4月26日	4月27日

全米各州の経済再開計画へのリンクも掲載

-Contacts-

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■ Japan

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