



COVID-19 Impact analysis for an OEM in the Marine Internal Combustion Engine Market: What's next for the sector?

INDUSTRY INSIGHTS

OVERVIEW



The client, an OEM in the US, partnered with Infiniti Research to enhance their efforts in capitalizing on the most lucrative market opportunities. Through the engagement, the client wanted to assess the global marine internal combustion engine market and identify the key market dynamics, including the significant growth drivers and critical technology trends, and the size and growth potential of different segments. As the COVID-19 outbreak was impacting business outcomes to companies across the globe, the client also wanted to understand the level of impact of the pandemic on their business and also analyze how key market competitors were adapting to and strategizing to overcome these new roadblocks. A detailed market segmentation study on the global marine internal combustion engine market was undertaken by our industry experts, with the exclusion of market segments including outboard engines or engines with a displacement of less than 5 liters and engines with power less than 2500kW. Through this engagement, the client was provided with a detailed report on the impact of COVID-19 on their business, market challenges to overcome, competitor strategies, and key recommendations to adapt to the 'new normal.'



Scope of the engagement

In a span of four weeks, experts at Infiniti Research undertook an incisive study of the global marine internal combustion engine market, covering:

- Demand and Supply of Fleet
- Market size and segmentation of marine internal combustion engine:
By engine type
- Market segmentation by major manufacturers: marine internal combustion engine market
- Segmentation by Major Countries: Marine Internal Combustion Engine
- Impact of COVID-19, market drivers, market challenges, technology trends

Research methodology

Infiniti proposed a unique blend of rigorous secondary research and in-depth primary interviews to develop a complete understanding of the global marine internal combustion engine market. The primary research comprised of telephonic discussions and interviews using an unstructured questionnaire with 45 seasoned respondents holding strategic decision-making positions or extensive industry expertise. The respondent selection process was based on a set of parameters to procure insights on the market, competitive and end-user levels. Research experts at Infiniti also conducted rigorous secondary market research or desk research through classified data sources and platforms. Infiniti's industry experts also conducted a detailed market sizing study on the marine internal combustion engine market to determine the total new building orders received and deliveries made between 2017 to 2019 and estimated the same for 2020 based on market trends and inputs from key thought leaders.

Research on alternative fuel sources and dual-fuel engines is expected to create demand for eco-friendly engines which will improve demand for marine IC engines. Also, dual-fuel engines would ideally cost more than traditional engines. Therefore, the market in value terms will improve even if sales stagnate.

Want comprehensive insights into the market sizing study undertaken by Infiniti Research for the client? Request a free proposal.

Request free
proposal

Like most industries, the growth and performance of marine and shipbuilding industries have also taken a hit from the ongoing COVID-19 crisis. The pandemic has resulted in the stagnation of the marine and shipbuilding industries, which in turn has negatively impacted the demand for marine IC engines and the components used to build these engines. To help the client better understand the overall effect on their business and the industry as a whole, experts at Infiniti provided them with an analysis of the impact of COVID-19 on different industry segments.



Impact on the marine industry

With leading economies such as the US, China, and Italy, among some of the worst affected nations due to the coronavirus outbreak, there has been a ripple effect disrupting businesses globally. As a result of COVID-19, Industries across China faced severe production loss in the first quarter of 2020. Supplies from several industries were negatively impacted, with pharmaceutical APIs and intermediates, heavy equipment, retail products, and electronics being the most affected. The reduction in shipment from Chinese industries is expected to lead to a 75% decline in shipping volumes for 2020. The coronavirus outbreak has also had a negative impact on the demand for oil tankers. With the global crude oil industry already facing an oversupply situation, further reduction in crude oil demand due to COVID 19 has worsened the situation.

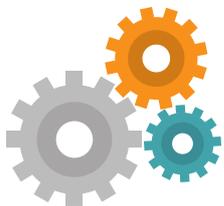


Impact on shipbuilding

Shipbuilding activities have also been adversely affected due to the pandemic. The slump in oil demand has led to the cancellation of over 50% of new orders at an overall container level and more than 80% at an oil tanker level for 2020. Moreover, supply chain disruptions have affected shipbuilding activities. With businesses stagnating and supply chains being restricted, shipyards are facing difficulties in functioning effectively to handle existing orders (several shipyards in China have issued force majeure declarations to extend delivery deadlines). Shipping lines and freight forwarders are running short of yard space due to the growing fleet of non-operational vessels. They are canceling already placed orders or delaying delivery dates to 2021.

Impact on marine engines and components

Owing to the slowdown in shipbuilding activities and force majeure declarations by shipyards, the marine engine, and components market is expected to face a slowdown as well. With new building activities being put on hold and the majority of current orders to be fulfilled in 2021, engines that are already manufactured will incur higher storage and warehousing costs for manufacturers. This would impact manufacturers' profitability. The slowdown also casts doubts on the quantity of shipbuilding orders that could be received once the COVID-19 situation normalizes. Therefore, future demand for marine engines and components is expected to stagnate, at least for the short-term, in the foreseeable future.



MARKET CHALLENGES FOR MARINE INTERNAL COMBUSTION ENGINE OEMS DUE TO COVID-19

Supply chain disruptions and business loss

Reduced demand from end-markets due to nation-wide lockdowns and business shutdown post-COVID-19 have negatively impacted supply chain activities of OEMs, even forcing some to suspend manufacturing operations temporarily. Even some of the big names in the industry are shutting down their manufacturing facilities as they expect a significant decline in the marine and energy businesses over the next few months.

Disruptions in the marine industry leading to decline in shipbuilding activities

The global shipping industry has been severely impacted by COVID 19. The pandemic has led to more than a 60% decline in 2020 orders, with a particularly negative impact on oil tanker demand. With China being the origin of the outbreak, industries in the country were the first to be affected globally. Supplies from several industries were negatively impacted, with pharmaceutical APIs and intermediates, heavy equipment, retail products, and electronics being the most affected. The reduction in shipment from Chinese industries is expected to lead to a 75% decline in shipping volumes for 2020. Furthermore, with shipping lines and freight forwarders running short of yard space due to the growing fleet of non-operational vessels, new orders are expected to be negligible, and already placed orders are expected to be canceled or postponed to the next year.

Vessels with high demand traditionally to be impacted

Tankers and bulkers have historically formed the most significant customer segments for IC engines. However, orders for tankers and bulkers have been declining since 2018. Newbuild orders for tankers and bulkers declined by 47% and 70%, respectively, in H1 2019 compared to H1 2018. The negative impact on demand for oil tankers can be curtailed if the OPEC+ partners reach an oil supply cut agreement in April 2020. However, if an agreement is not reached, the industry can suffer irreparable damage.

Leisure marine to be severely affected

Before the outbreak of COVID 19, the cruise vessels market was witnessing steady growth. In 2018, ocean cruise passenger capacity was estimated at 28.2 million, which increased to 30 million in 2019. With the increase in passenger volumes, CLIA (Cruise Lines International Association) expected additional 272 cruise ships to be added to the current installed base in the recent future. Out of this, 18 new CLIA-member ocean ships were delivered in 2019. However, with the outbreak of the pandemic, passenger volumes are expected to decline, thereby leading to an over-supply situation in the leisure marine sector. While natural consolidations can be expected in the industry, it is not likely to emerge stronger after the crisis ends. Cruise lines are expected to shut down entire decks due to low occupancy and reduce the fleet size considerably. With the current global occupancies hovering around 10%, most cruise liners have started drastically reducing prices. Although reduced prices may help increase the number of passengers in the short-term, the probable negative impact will be long-term.

KEY MARKET INSIGHTS AND RECOMMENDATIONS

Based on detailed market analysis and market segmentation study of the marine internal combustion engine market and the changes in market dynamics due to COVID-19, experts at Infiniti Research provided the client with some key market insights and recommendations to strategize for the way forward.

Market consolidation in APAC by forming alliances

Some top companies in the marine internal combustion engine market are partnering with other OEMs across APAC to consolidate its position in the region. Also, these renewed partnerships will help OEMs in the other areas accelerate the manufacturing, selling, and servicing requirements of their engines.

Increased focus on developing engines operating on alternate fuels

Several OEMs are undertaking research and investment efforts to develop LPG reformed gas-fueled engines. Other alternatives being considered include dual-fuel engines that operate on LNG and engines that run on ammonia.

China and South Korea to emerge as global hubs for shipbuilding post-COVID-19

The economy in almost all the major shipbuilding countries is expected to be severely impacted, at least till mid-2021. However, some countries are expected to recover quickly and resume production. China has already overcome the COVID 19 crisis and has started production activities across industries. South Korea has managed to remain mostly unaffected by controlling the spread of the pandemic in the country. These two countries are expected to witness a surge in shipbuilding activities by Q3 2020 (anticipating 2021 deliveries and because of the shift in demand from countries such as the US, Germany, and Japan). Analysts at Infiniti Research believe that the shift in new orders from other countries to China and South Korea will result in these two countries accounting for a combined market share of more than 50% by the time the world recovers from the pandemic. As a result, experts at Infiniti Research recommended that the client should focus on enhancing its operations and supply chain in China and South Korea. Partnering with engine manufacturers that have operations in these countries or are expanding their manufacturing capabilities in these countries will also prove to be effective.

Focus on new technology trends

With the growing focus on alternative fuel sources, new engines are being developed with the capability of operating on traditional as well as alternate fuels. Dual-fuel engines are expected to witness higher adoption for newbuild marine orders compared to conventional engines. LPG reformed gas-fueled engines (or generally dual-fueled engines) are witnessing research and investment traction. Also, LNG-fueled auxiliary engines are expected to witness substantial growth in demand because of the shift toward greener operations. Experts at Infiniti recommended the client to explore opportunities to form alliances with engine manufacturers that are expected to adopt to dual-fuel engine rapidly.

Trend of relocating manufacturing to APAC

China, Japan, and South Korea were the most significant shipbuilding nations globally in 2019. Keeping pace with this, the majority of the marine internal combustion engines were manufactured in these regions as well. However, a significant number of engines were also manufactured in the US and Europe. Recently, there has been a trend among manufacturers based outside APAC to shift their operations to APAC (either by shifting manufacturing facilities or through white labeling). Although the recent COVID 19 outbreak has resulted in a temporary halt in this localization trend, it is expected to continue once the world recovers from the pandemic. Experts at Infiniti provided the client with a detailed study of the advantages, cost-benefits analysis, and strategies to move operations to the APAC region.

Gain access to the complete engagement, including strategic market insights, market trends, competitor analysis, and recommendations given to the client by industry experts at Infiniti Research.

[GET MORE INFO](#)



ABOUT US

Positioned at the forefront of market intelligence, Infiniti Research has carved out a niche for itself as the premier provider of market intelligence solutions for leading players across industries. Our unmatched market intelligence solutions, consulting, and in-depth market assessments are well-known among industry leaders for their ability to solve the toughest challenges faced by industry players. With expertise across 50+ industries and business functions, we deliver transformational solutions to fulfill the needs of a more demanding, smarter world.

[CONTACT US](#)