

Grassroots Research®

Market Monitor

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Shipping trends – China and Taiwan

Grassroots commissioned interviews with representatives of shipping companies and freight forwarders in China and Taiwan to gauge current and expected shipping demand and capacity trends. Overall container shipping volume in 3Q 2021 increased year-to-year for 100% of sources, and 100% expect it to increase in 2H 2021 year-to-year – with the transpacific line the main driver in both cases, followed by Asia-Europe. In addition, 76% in China said current use of ships is higher than during the same period in normal (*i.e.*, non-COVID-19) years, and 100% said current use of containers is higher, as demand for Chinese goods remains strong. In addition, 100% of sources in Taiwan said current use both of ships and containers is higher due to severe shortages and strong demand.

Indeed, 100% of sources in China said the current supply situation of shipping

slots and containers is tight; 72% expect the supply of slots to tighten in 2H 2021 and loosen in 1H 2022, and 60% expect the supply of containers to tighten in 2H 2021 and loosen in 1H 2022. In addition, 90% in Taiwan said the current supply situation of slots and containers is tight and expect it to tighten in 2H 2021 and loosen in 1H 2022. As to the port congestion situation, 60% of sources in China said it remained stable in 3Q 2021 vs. 2Q 2021, with long wait times and shipping delays, while 90% in Taiwan said it worsened. One hundred percent in China and Taiwan said there are still port congestion issues, although 72% in China and 80% in Taiwan expect the issues to be resolved in 1Q 2022.

Regarding freight rates, sources in China expect them to trend up 43%–92% for all lines in 2H 2021 vs. 1H, while those in Taiwan expect them to trend up 27%–88% – in both cases with the



greatest increase for transpacific and Asia-Europe lines. Meanwhile, 64% in China and 60% in Taiwan expect rates to peak in 1Q 2022.

Plant-based meat at quick-service restaurants – US

To check consumer acceptance of plant-based meat (PBM) products at quick-service restaurants, Grassroots commissioned interviews with restaurant employees in the US. Sixty percent of sources said demand for PBM offerings is moderate/in line with supply, 36% said low/less than supply, and 4% said high/greater than supply. In addition, 28% said PBM offerings are the reason customers visit a quick-service restaurant, 24% said half of customers buying PBM come in solely for PBM and half buy PBM with a variety of other items, 24% said a few customers visit for PBM, and 24% said none.

Meanwhile, 52% of sources said PBM offerings are worth a permanent place on their menu, as it is a vegetarian consumer

niche and already on the permanent menu, there is strong demand, or they sell a lot. However, 24% said PBM offerings are not worth a permanent place on their menu, as it is a temporary promotion, few are being bought, or it needs advertising. At the same time, 24% of sources were unsure if PBM offerings are worth a permanent place on their menu, because it is still in test marketing, or it is up to corporate.

Among sources who commented, 78% said customers who buy PBM offerings make repeat purchases, 17% said customers try them only once, and 4% were unsure. When asked whether PBM offerings are sustainable menu items, 52% said they are, 20% said they are a fad, and 28% were unsure.

Contact lens market – China

To understand demand trends and the dynamics and outlook for the contact lens market in China, Grassroots commissioned interviews with sources from contact lens retailers and contact lens brands. Sources expect overall contact lens sales to increase an average 20% in 2H 2021 vs. 2H 2020 due to strong demand, effective COVID-19 containment and availability of new products.

Meanwhile, sources reported that the current sales mix of contact lenses for daily use, weekly use, monthly use and longer durations is 36%, 17%, 29% and 19%, respectively; the mix for color and clear lenses is 47% and 53%, respectively; and the mix for hydrogel and silicon hydrogel lenses is 75% and 25%, respectively. Looking ahead, contact lenses with shorter durations, color lenses and silicon hydrogel lenses are expected to gain

market share in the next year, as they are more convenient, safer and more comfortable than other types.

In the next three to five years, 93% of sources expect demand for color contact lenses to continue to increase, as the market is not yet saturated due to an increasing number of younger clients, new designs and availability of online distribution channels. Regarding regulatory risk for the contact lens industry, 70% do not foresee any in the future, while 30% said tighter regulations are possible, including more-restrictive licensing requirements and higher standards for product quality. Meanwhile, 78% of sources said current inventory is at a healthy level, and 68% expect it to remain healthy in 4Q 2021 due to good sales momentum and effective logistics management.

Spending trends for pets – Europe



To assess spending on food and healthcare for pets, Grassroots commissioned interviews with consumers in France, Germany and Italy who own cats, dogs or both. In all three countries, 60%–73% of sources own a dog, and 45%–69% own a cat. In addition, 77%–84% own one or two pets, and 16%–23% own three or more. In the past six months, 47% of sources in Italy, 38% in France and 25% in Germany bought/adopted a dog or cat. In all three countries, on average, 40%–43% spend EUR 50–EUR 70 (USD 58–USD 81) per month on their pet, 27%–42% spend EUR 71 (USD 82) or more, and 17%–32% spend less than EUR 50.

Meanwhile, 74% of sources in Italy and 61% in Germany purchase their pet food and other supplies at a pet specialty store, while 59% in France do so at a traditional retailer. When buying pet food, the most important factors in Italy and France reportedly are nutritional/health benefits, pet preference and veterinarian recommendation, and in Germany, the most important factors are pet preference and nutritional/health benefits. Looking ahead to the next 12 months, in all three countries, 81%–88% of sources intend to spend the same amount on their pet, while

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18% in Italy, 15% in France and 11% in Germany intend to spend more.

When asked where they usually buy medicine for their pet, 74% of sources in Germany and 68% in France said the veterinarian's office, while 49% in Italy said a pet specialty store. In the past 12 months, 94% in Italy, 88% in France and 86% in Germany took their pet to a veterinarian at least once. Among these, 28%–34% in all three countries said their last visit included a blood check. As to pet medical insurance, 30% in Germany, 20% in Italy and 19% in France have it, and among these, 82%–87% in all three countries believe it offers good value for money. Regarding spending on pet food, 46% of sources in all three countries already pay a price premium to improve their pet's nutrition, and 35%–40% would consider paying a premium for higher-quality food.

In all three countries, 52%–64% of sources celebrate their pet's birthday every year, while 28%–40% do not. In addition, 92%–94% consider their pet an important member of their family. Indeed, 79% of sources in Italy, 71% in France and 62% in Germany take their pet with them on vacation at least sometimes. Meanwhile, among dog owners in all three countries, when they go for a walk with their dog, 34%–49% believe it improves their own physical health, 17%–24% said it has a positive impact on their mental well-being, and 31%–36% said it has a positive impact on both. Among dog owners in all three countries, 84%–92% enjoy spending more time outside of their home since they adopted a dog, and 80% in Italy, 72% in Germany and 66% in France have at least slightly more social interaction outside of their home since they adopted a dog.

Automobile demand – US

Grassroots commissioned interviews with consumers in the US who intend to purchase a new or used automobile in the next 90 days to check demand and preferences and determine the impact on purchase trends from the lack of inventory and delays. Fifty-nine percent of sources said the vehicle they purchase next will be new, 25% said used, and 16% were not sure. If the brand they are planning to purchase is not available in the next 90 days, 67% planning to purchase a new vehicle would be willing to purchase a used one of the same brand, and 65% planning to purchase a used vehicle would be willing to purchase a new one of the same brand.

As to the most important factor when buying a vehicle, 81% of sources cited driving performance, followed by fuel economy

(41%), while the ability to connect to a smartphone (7%) is the least important factor. Meanwhile, for their next vehicle purchase, 60% plan on purchasing an internal combustion engine (ICE) vehicle, 26% a hybrid vehicle and 13% an electric vehicle. Fifty-one percent of sources are planning to spend USD 35,000–USD 80,000 on their next vehicle, 36% said up to USD 34,999, and 6% said USD 80,000 or more.

Among sources planning on purchasing an ICE vehicle, 45% are considering purchasing an electric/hybrid vehicle due to concern for the environment and wanting cutting edge-technology, while 32% are somewhat or extremely unlikely to purchase an electric/hybrid vehicle due to not enough charging stations and higher purchase prices.

Impact of the federal mandate for COVID-19 vaccines/testing on trucking – US

Grassroots commissioned interviews with operators of truckload fleets in the US to gauge the potential impact of the recently proposed federal mandates for COVID-19 vaccines/testing on trucking. Eighty percent of sources are concerned that the mandate will negatively affect their business, as it will be difficult or impossible to do weekly testing on unvaccinated drivers, drivers may quit, and it will be difficult to replace them due to the current driver shortage nationally. However, 20% are not concerned, as they either have fewer than 100 employees and are therefore not subject to the mandate, or they have a high vaccination rate.

Meanwhile, 72% of sources did not know what percentage of their driver population is vaccinated, while among those who cited figures, 86% estimated 25%–75%, and one said 100%, as he

is the sole employee. Looking ahead, 80% expect their fleet mileage/capacity to decrease due to the mandate but were unable to quantify the change, while those who do not expect to be negatively affected either have fewer than 100 employees or a high vaccination rate.

Regarding pricing/rates, 92% of sources expect them to increase after the mandate goes into effect but were unable to quantify the change, while 4% said rates may be flat, and 4% were unsure of the future rate environment. Meanwhile, among those with fewer than 100 employees, 80% have not had unvaccinated drivers applying for employment after having quit their previous employer because of the mandate, while 20% were unsure, as drivers frequently switch employers, which was the case even pre-COVID-19.

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Grassroots® services are unique to Allianz Global Investors. The Grassroots Research® division combines 5 in-house employees, a global network of over 300 independent, experienced journalists and Field Force researchers, and more than 50,000 industry contacts. We use this network to apply innovative market research and investigative journalism techniques to identify stock and sector trends before our competitors do.

Advantages:

- 30+ years of experience conducting customized investigative market research around the world.
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- Utilizes technological tools to target consumer and business panels online and to extract alternative data from the Web.
- Continuous exchange of information between Grassroots® analysts and our investment professionals.
- Provides timely business insights via quick turnaround times.

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- 50,000+ industry contacts worldwide from a wide range of industries, including consumer, technology, healthcare, materials, industrials, energy and financials companies
- 300+ Field Force Investigators who conduct quantitative market research among consumers
- 60+ reporters who conduct interviews with industry experts
- In-house team in San Francisco and Hong Kong

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