

Grassroots Research®

Market Monitor

Food Inflation – Japan

Residential Building Trades – UK

Online Pharmacies – India

Solar Panel Demand – Europe

Independent Rehabilitation
Hospitals – China

Demand for Garmin Products – US

Food Inflation – Japan

Grassroots conducted interviews with sources at supermarkets and grocery stores in Japan to understand the impact on pricing and consumption due to price hikes imposed by major food and beverage companies.

Regarding implementation of price hikes, 39% who commented said they instantly raise prices as soon as price hikes are announced by food and beverage companies, 22% said they raise prices when existing inventories are fully consumed, and 39% said they use a combination of instantly raising prices and absorbing price hikes, rather than having a binary policy of either one.

When asked about passing on price hikes, 36% who commented said they fully pass on price hikes to consumers, another 36% said they use a mix of full and partial pass on strategies, 14% said partially pass on, and 14% said corporate headquarters decides.

Price hikes by food and beverage companies typically range from 4% to 11%.

82% who commented said their sales volume dropped after price hikes of food and beverage products, citing consumers decreasing the number of items purchased, choosing less expensive items, and visiting stores less frequently. In addition, 12% who commented said sales of beer and alcohol dropped because shoppers stocked up before the October 1 price increase, while 6% said there was no impact to sales due to price hikes.

Indeed, 31% of sources who commented reported sales of daily necessities such as bread were resilient after price hikes, while 19% commented that discretionary items including alcohol, beer, coffee, and tea suffered in sales volume. Instant ramen noodles appeared to be split between a necessity and discretionary



item for sources who commented, with 25% each reporting it as both a resilient and vulnerable food category.

Residential Building Trades – UK

To gauge confidence in the UK residential building market and sentiment among trades, Grassroots commissioned interviews with tradespeople focused on the residential/home building market. When asked what their expectations of the residential/home building market were in general for 4Q 2022 vs. same period last year, 40% said the market was flat, while another 40% said it was slowing, 13% said slowing significantly. At the same time, 47% expect it to slow down in 2023 vs. 4Q 2022 and 20% expect a significant slowdown, while 27% expect it to remain flat.

The area likely to see the biggest growth in the residential/home building industry is repair/maintenance for nearly half of sources who commented as customers look to save money by just doing essential work, and 40% said

sustainability/energy improvements would see the biggest growth as people look to save money on their heating bills. One source said, “the sector that I am in—fitting doors and windows—is very busy as people are trying to improve their home insulation. We have a four-month lead time on fitting now, which is much higher than it was a year ago. So, I think sustainability/energy improvements will do well in 2023, while new builds and larger projects will suffer the most.”

93% of sources said that inflation has affected the way they priced jobs in 4Q 2022 compared to 1H 2022, and more than half who commented said they pass the increase in material costs on to customers, and one-third said they pass increased labor costs on.

Online Pharmacies – India

Interviews with consumers in India who purchase medicine through either online or offline (brick-and-mortar) pharmacies revealed that penetration of online pharmacies is extremely high, with 85% having used online pharmacies for purchasing medicine in the past 12 months.

Convenience is the top reason for using online pharmacies, followed by more discounts vs. offline channels. Willingness to continue using online pharmacies is very high, with 98% reporting they would do so. In addition, fast delivery and brand trust are the top reasons cited for choosing a preferred online pharmacy, with those that offer fast delivery standing out from the competition. Overall, the majority are satisfied with the delivery time on their last order with their preferred platform.

Regarding product range and prices, satisfaction with major online pharmacy

platforms is very high, with over 90% giving ratings of 4 or 5 to their most often used platform. Among those who cited areas of dissatisfaction, “lower discount vs. peers” and “the process of uploading prescriptions” were most frequently mentioned.

When asked about discounts, sources reported the level of discounts offered by major online pharmacies appear to be similar—about 30% said the prices are 10%–20% less expensive than offline channels, while about 26%–31% said the prices are 20%–30% less expensive. Assuming discounts from online pharmacies come off to become comparable to offline channels, the majority would still prefer to use online pharmacies. In addition, 76% of non-users are open to using online pharmacies, mainly for the advantage of discounting.

Solar Panel Demand – Europe



To track demand for solar panels and types of inverters for residential, industrial, and commercial use, Grassroots interviewed solar panel installers throughout France, Germany and Spain. Current demand for solar panel installation vs. the same time last year is up by more than 100% in Germany, the high double to triple digits in Spain, and the high double digits in France, led by residential use, followed by industrial use and commercial use. One source in Germany commented, “we see current demand for residential, commercial, and industrial installations up 300% each. The war in Ukraine and the increasing power costs have led to an explosion in demand that we find hard to meet, despite having put together seven new installation teams. While a higher degree of energy-self-reliance is desirable for all customer groups, bringing down power costs is a question of survival for energy-intensive industries.”

Looking ahead, demand for solar panel installation is expected to increase in 2023 vs. 2022 by high double digits in all countries surveyed, with residential use continuing to lead growth. A source in France said, “we expect current demand from homeowners and professionals to continue to trend up 100% and 75%, respectively, next year. The price of electricity has increased at least 5% this year, and it is estimated it will increase between 20% and 25% by 2030 from 18 cents per kilowatt to 25 cents per kilowatt. We are seeing a

(Cont. from page 2)

lot of interest from commercial and industrial clients looking for either a self-sufficiency and resale solution or investment opportunity in large central projects. But the majority of business will continue to come from residential clients who want to lower their utility bills, and with solar panels, this can be achieved to up to 50%.”

According to sources, cost efficiency and reliability are the most important factors in all countries surveyed when choosing the type of solar panel inverter across residential, commercial, and industrial end users. The choice of the inverter type is made by the installer for 100% of sources in Germany and 67% each in France and Spain, as they are best positioned to make a decision.

An average 56% of residential solar panel installations in Germany and 46% in Spain currently adopt string inverters with switchers, while 1% in both countries adopt microinverters. In France, an average 78% adopt microinverters.

At the same time, an average 65% of commercial solar panel installations in Germany and 54% in Spain currently adopt string inverters with switchers, while 54% in France adopt string inverters with optimizers. Microinverters are rarely used for commercial installations due to high cost and not being appropriate for large-scale solar installations.

Microinverters for residential use are expected to reach an average 81% penetration in France, 5% in Spain, and 2% in Germany on the one-year horizon, and they are expected to reach 84% in France, 11% in Spain, and 5% in Germany on the three-year horizon. Penetration of microinverters for commercial use is expected to remain low on both the one- and three-year horizons.

Independent Rehabilitation Hospitals – China

According to hospital managers interviewed in Huadong areas in eastern China, the average bed utilization rate at the end of 2021 was 84%, and it is expected to be 89% by the end of 2022 and 93% by the end of 2023. The rate has been increasing due to greater market awareness of rehabilitation services, reasonable treatment costs, and good patient outcomes. Sources expect revenue to see stable growth—up an average 9% in 2022 vs. 2021 and 12% in 2023 vs. 2022—driven by demand growth and improvement in the quality of rehabilitation services, balanced by price caps, competition, and patients’ ability to afford treatment.

As for demand growth, 60% expect the pace of independent rehabilitation hospitals to accelerate in the next 12 months,

while 27% expect it to stabilize, and 13% expect it to decelerate. Future demand growth is driven by the aging population and high incidence of chronic disease. Meanwhile, 80% said the current bed supply is inadequate to meet demand.

60% said the sluggish economy has slowed new competition entering the market, and they expect competition to remain stable, while 20% expect there to be more competition, and another 20% expect less. 80% of sources said stable or less competition is positive, as it allows existing players to maintain revenue growth and achieve healthy margins.

Demand for Garmin Products – US

Grassroots interviews were conducted with dealers who carry Garmin products in the US to assess recovery prospects of Garmin’s declining product sales. 65% of Garmin fitness-product dealers said sales in summer 2022 were in line with expectations, while 25% said below, and 10% said above. Meanwhile, 90% of Garmin outdoor-product dealers said sales of Garmin outdoor products in summer 2022 were in line with expectations, while 10% said below. None of the outdoor-product dealer sources expect outdoor products sales to decrease post-COVID as was the case with Garmin fitness products.

When asked about mass-market appeal, 65% of fitness-product dealers said the appeal of Garmin’s fitness products has remained the same in the last six months and 15% said it increased, while 20% said it decreased due to more ads from

competitors and security breach issues. One source commented, “there’s not been much of a shift in Garmin’s mass-market appeal. What’s good is they have more low- to high-end models in terms of cost options. They appeal to both those looking for a simple model or one that does neat tricks.” Indeed, 80% said there were no significant changes in Garmin’s marketing its fitness products in the past six months.

At the same time, 50% of Garmin outdoor-product dealers said that they are not doing marketing for outdoor products currently, while the other 50% cited various marketing activities including displays, pamphlets, signage, digital ads, and events sponsorships.

About Grassroots Research®

Grassroots® services are unique to Allianz Global Investors. The Grassroots Research® division combines 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.
- Utilizes expertise of independent journalists and Field Force Investigators to reach sources on the ground.
- 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.

Resources:

- Access to thousands of consumers in more than 60 countries via targeted online consumer and business panels.
- 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 Europe and Asia Pacific

Grassroots Research®

Research Specialist Grassroots
Jasmine Breiding

Grassroots® Market Monitor is published quarterly by Grassroots Research®, a division of Allianz Global Investors. Bockenheimer Landstraße 42-44 60323 Frankfurt am Main Germany

email: grassroots@allianzgi.com
online: <https://www.allianzgi.com/en/capability-landing/about-grassroots-research>

Investing involves risk. The value of an investment and the income from it will fluctuate and investors may not get back the principal invested.[*] Past performance is not indicative of future performance. This is a marketing communication. It is for informational purposes only. This document does not constitute investment advice or a recommendation to buy, sell or hold any security and shall not be deemed an offer to sell or a solicitation of an offer to buy any security.

The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. Certain data used are derived from various sources believed to be reliable, but the accuracy or completeness of the data is not guaranteed and no liability is assumed for any direct or consequential losses arising from their use. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted.

This material has not been reviewed by any regulatory authorities. In mainland China, it is for Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations and is for information purpose only. This document does not constitute a public offer by virtue of Act Number 26.831 of the Argentine Republic and General Resolution No. 622/2013 of the NSC. This communication's sole purpose is to inform and does not under any circumstance constitute promotion or publicity of Allianz Global Investors products and/or services in Colombia or to Colombian residents pursuant to part 4 of Decree 2555 of 2010. This communication does not in any way aim to directly or indirectly initiate the purchase of a product or the provision of a service offered by Allianz Global Investors. Via reception of his document, each resident in Colombia acknowledges and accepts to have contacted Allianz Global Investors via their own initiative and that the communication under no circumstances does not arise from any promotional or marketing activities carried out by Allianz Global Investors. Colombian residents accept that accessing any type of social network page of Allianz Global Investors is done under their own responsibility and initiative and are aware that they may access specific information on the products and services of Allianz Global Investors. This communication is strictly private and confidential and may not be reproduced. This communication does not constitute a public offer of securities in Colombia pursuant to the public offer regulation set forth in Decree 2555 of 2010. This communication and the information provided herein should not be considered a solicitation or an offer by Allianz Global Investors or its affiliates to provide any financial products in Brazil, Panama, Peru, and Uruguay. In Australia, this material is presented by Allianz Global Investors Asia Pacific Limited ("AllianzGI AP") and is intended for the use of investment consultants and other institutional/professional investors only, and is not directed to the public or individual retail investors. AllianzGI AP is not licensed to provide financial services to retail clients in Australia. AllianzGI AP is exempt from the requirement to hold an Australian Foreign Financial Service License under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order (CO 03/1103) with respect to the provision of financial services to wholesale clients only. AllianzGI AP is licensed and regulated by Hong Kong Securities and Futures Commission under Hong Kong laws, which differ from Australian laws.

This document is being distributed by the following Allianz Global Investors companies: Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin); Allianz Global Investors (Schweiz) AG; in HK, by Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; in Singapore, by Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; in Japan, by Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424], Member of Japan Investment Advisers Association, the Investment Trust Association, Japan and Type II Financial Instruments Firms Association; in Taiwan, by Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan; and in Indonesia, by PT. Allianz Global Investors Asset Management Indonesia licensed by Indonesia Financial Services Authority (OJK).

[*Subject to change – depends on the content of the material which may mention certain investment instruments that involve particular risk]

The Grassroots Research® division of Allianz Global Investors commissions investigative market research for asset-management professionals. Research data used to generate Grassroots Research® reports are received from independent, third-party contractors who supply research that, as far as permissible by applicable laws and regulations, may be paid for by commissions generated by trades executed on behalf of clients. We believe these sources of information to be reliable and are providing the information in good faith, but in no way warrant the accuracy or completeness of the information. We have no obligation to update, modify or amend this document or to otherwise notify you in the event that any matter set forth in this document changes or subsequently becomes inaccurate. In addition, information may be available that is not reflected at this time. We accept no liability whatsoever for any direct or consequential loss or damage arising from your use of the information contained in this document. We and our affiliates, officers, employees or clients may effect or have effected transactions for our or their own accounts in the securities mentioned here or in any related investments. Any reference to a particular company shall not be considered an offer to sell, the solicitation of an offer to buy or a recommendation to buy, sell, or hold any security issued by such company. No part of this material may be i) copied, photocopied, or duplicated in any form, by any means, or ii) redistributed without prior written consent. 2644420