

Grassroots Research®

Market Monitor

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Spending Intentions for Luxury Goods Survey – China

Grassroots® conducted an online panel survey with consumers in China to understand spending intentions over the next year, as well as interest in emerging trends and sustainability practices of brands. According to sources, brand image (18%) and superior quality or style (18%) were the most important factors that influence purchasing decisions for luxury products, followed status symbol products (15%). Meanwhile, celebrity endorsement (24%), social media influence (15%) and sustainability (15%) were the least influential factors.

In terms of style, 42% prefer purchasing luxury products that are flashy and eye-catching, while 37% said it depends on the occasion, and 16% said subtle and understated.

Regarding emerging trends, 40% are most interested in experiential luxury, 32% in sustainable luxury, and 29% in technology integration. Indeed, 52% said

they are extremely likely to engage with or purchase products that align with this emerging trend, and 43% said they are somewhat likely.

49% said that sustainability is somewhat important when considering luxury products, and 45% said very important. Meanwhile, 86% said they would be willing to pay more for luxury products that are sustainably produced/environmentally friendly.

51% expect to spend more on luxury products next year, while 48% expect to spend the same and 2% expect to spend less. Among those who expect to spend more, the primary reason is higher income/more money available (62%). Meanwhile, among those who expect to spend less, the primary reason is lower income/less money available (43%).

If prices of luxury products increased by 10%–15% due to inflation, 47% would be unlikely to reduce spending, while



34% are likely reduce spending. At the same time, if prices of luxury products increased by 20%–25% due to inflation, 40% are likely to reduce spending, while 36% are unlikely to reduce spending.

Education Software – US

To identify leading education software companies in the US education system, Grassroots® interviewed teachers and administrators at school districts in the US. 58% have been using e-learning software for more than five years, while 42% have been using it for one to three years. Indeed, 50% who commented said student needs was the primary reason for adopting e-learning at their schools, while 8 said COVID, and 36% said broadening the course offering.

Among the 92% who commented, 59% said the current experience with e-learning is convenient, 32% said very convenient.

Among the 88% who commented, 62% said overall student performance using e-learning software vs. face-to-face setting is about the same due to some

thriving and others not, while 19% said it somewhat improved, and 19% said it somewhat deteriorated due to the need for a personal relationship with a teacher.

54% expect to use the same amount of e-learning and/or administration software over the next two years as their current usage meets their needs, while 42% expect to use more. One source said, “we expect to use the same level but may possibly use less as we find the percentage of students who thrive at home is dwindling, and they need to be at brick-and-mortar schools – especially with math. We did, however, recently add a component on [our platform] for data progress on national standards.” Indeed, 88% do not expect to change providers while 13% are in the process of switching.

Spending Trends for Pets Survey – Europe

Grassroots® conducted an online panel survey of dog and cat owners in France, Germany and Italy to understand spending on pets and track these trends over time.

In all three countries, 74%–81% intend to spend the same amount on their pet in the next 12 months, a 7% decrease from the Grassroots® study in October 2021. Meanwhile 22% in Italy, 20% in France and 17% in Germany intend to spend more – up an average 5% since October 2021.

Among sources who intend to spend more on their pets in the next 12 months, 38%–51% expect to buy more expensive products, and 20%–47% expect higher income/more money available. At the same time, among those who intend to spend less, 33%–44% expect

lower income/less money available, and 29%–44% expect lower prices.

68% in Italy and 63% in Germany purchase their pet food and other supplies at a pet specialty store, while 59% in France do so at a traditional retailer. In addition, 32% in Germany, 21% in Italy, and 19% in France have pet medical insurance. Among these, 80%–90% in all three countries believe it offers good value for money.

Among dog owners in all three countries, 85%–89% enjoy spending more time outside of their home since they adopted a dog. 83% in Italy, 81% in Germany, and 78% in France have at least slightly more social interaction outside of their home since they adopted a dog – up an average 8% in all three countries compared to October 2021.

Electronic Shelf Labels Adoption – US and Europe



To examine adoption of electronic shelf labels (ESL) and user experience from the frontline staff perspective, Grassroots® conducted interviews with retail outlets and smaller-scale regional retail chains the US, Germany and UK.

Among the 63% of stores that have adopted ESLs, those ESLs have been in use for over five years on average in France, over three years in the US, and two years in Germany. Among these stores, ESLs account for 88% of shelf labels in the US, 73% in Germany, and 67% in France.

The major benefits for using ESLs are rapid and automated price updating by corporate headquarters, savings on labor cost and time for all in France and Germany, and 90% in the US. Among all other factors, advertising benefits are important for those in France and Germany; inventory management for those in France and US; as well as environmental friendliness for those in the US.

According to sources in all countries, faster digesting of inventory and inventory management are ranked moderately important factors in adopting ESLs. In addition, labor cost, inventory management, and environmental friendliness are moderately important in Germany.

When asked about the challenges of installing ESLs, screens freezing, short replacement cycle, and labels falling off shelves was cited by 60% in the US;

(Cont. from page 2)

system failure for 60% and consumer acceptance for 42% in Germany; and cost for 33% in France.

50% in France, 83% in Germany and 60% who commented in the US are already adopting ePaper ESLs in their stores. Among those who are currently using LED ESLs, those in France and the US are unsure of their headquarters' plans of upgrading to ePaper, while the intention to upgrade to or extend usage of ePaper ESLs is high in Germany.

Meanwhile, among the 27% stores that have not adopted ESLs, cost, reliability of the technology, and lack of infrastructure are the major concerns. One source in Germany commented, "the lack of infrastructure is absolutely one reason, and there are far too many technologies which means a lack of standardization. We simply do not know which of the various ESL solutions will be the right one for us. At this stage, all are still too expensive, but on the other hand, we have no choice and cannot wait endlessly. ESLs must and will be purchased chain-wide within the next five to six years due to a dramatic lack of labor – that fact will be the biggest driver for implementation."

Operational efficiency – including faster reactivity for price changes – and reducing labor cost and time are ranked the most important factor for adopting ESLs among sources at stores that do not use them in all three countries. One in France said, "obviously, saving time changing paper labels, which accounts for about five hours per week, is a major factor for adoption. With ESLs, we could also manage our margins more efficiently and align prices more quickly to competitors' prices. Today, paper labels rip easily, and people have fun switching them around. This is a major headache at checkout when customers claim that the price we ring up is not the same as on the label."

Water Metering – US

Grassroots® commissioned interviews with officials at water utilities and municipalities in the US to assess investments in water metrology and smart meters. 80% of sources expect an increase in budget and spending intentions for water infrastructure over the next 12 months vs. last 12 months due to ongoing and new infrastructure projects and/or inflationary pressures, while 16 expect no change, and 4% expect a decrease mostly due to cost cutting measures. One source commented, "our budget and spending intentions for water infrastructure over the next 12 months is up because of inflation. We have no major projects next year, but water lines keep breaking and cost of materials has increased 30% over the past three years."

68% do not expect an increase in investment for smart water meters – among those, 71% have already

transitioned to an AMI (Advanced Metering Infrastructure) system, and 29% are satisfied with their current AMR (Advanced Meter Reading) system. One source said, "we have already completed the transition to an AMI system for water meters about five years ago. It is very cost-effective and more accurate for recording water usage than our AMR, and eliminated our full-time staff of water meter readers. We are now in maintenance mode to replace broken meters and maintain the system." Meanwhile, 38% expect to increase spending with current or planned rollouts.

Indeed, among the 80% of sources who commented, all do not expect the IRA (Inflation Reduction Act) to result in more investments in water meters and smart meters in coming years as those funds are for larger infrastructure programs.

Prenatal Registration Trends – China

Grassroots® commissioned interviews with sources at obstetrics departments of hospitals in China to understand prenatal appointment registration trends.

New Prenatal appointment registration numbers trended down an average 18% in full year 2022 vs. full year 2021 and was down an average 5% in 1Q 2023 vs. 4Q 2022. Registration numbers were up slightly an average 3% in 2Q vs. 1Q and 2% in 3Q vs. 2Q due to lifting of COVID lockdowns and various stimulus measures, such as lifting of family planning policies, but is expected to trend down again in 4Q vs. 3Q, mainly brought down by the lower-tier cities.

Looking ahead at 2024, new prenatal registration numbers are expected to continue trending down in general due to economic slowdown, rising unemployment rates, unaffordable housing prices in large cities, and high cost of childcare.

Despite 20% of sources (both in first-tier cities) who expect modest 2%–3% growth of prenatal registration in their hospitals in 1H 2024, and 10% who expects flat to slightly up, it is due to large hospitals – especially those in first-tier cities – receiving patients from other areas seeking high-quality medical care, while smaller hospitals in lower-tier cities expect lower numbers. The downward registration trend is expected to be more severe in second- and third-tier cities in 2024.

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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:

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- 50,000+ industry contacts worldwide from a wide range of industries, including consumer, technology, healthcare, materials, industrials, energy and financial companies
- 300+ Field Force Investigators who conduct quantitative market research among consumers
- 55+ reporters who conduct interviews with industry experts
- In-house team in Europe and Asia Pacific

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