

# Grassroots<sup>®</sup> Research

## Market Monitor

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## Work-from-home permanency potential driven by COVID-19 – US

To gauge corporations' longer-term intentions around work-from-home (WFH) permanency, Grassroots<sup>®</sup> commissioned interviews with representatives of companies in the US. Among sources who commented, an average 68% of employees have been working remotely for the past 45 days due to COVID-19 restrictions. Looking ahead, 52% said the time frame for employees returning to the office is still unknown, while 39% said it ranges from March to June – with an average 86% of employees expected to return during this period among those who cited percentages – and 9% said all employees are already back in the office.

Post-COVID-19, 43% of sources do not expect any workers to keep working remotely, while 30% said it is too soon to tell how many employees who were not working remotely before will keep working remotely, and 26% said

10%–75% of employees who were not working remotely before will remain remote. Meanwhile, 48% of sources intend to implement flexible wfh plans, including rotations/alternate days, pod systems and coming in on an as-needed basis, although 30% said this is not relevant, as all employees will be back in the office, and 22% said it is still unknown.

Regarding the main benefits to companies from the increased number of remote employees, sources cited increased productivity, reduced office footprint and costs, and the ability to attract talent nationally. One source said, "We closed at the beginning of the pandemic, and no one has come back into the office yet. We allowed remote work pre-COVID-19 already and have continued to find during the pandemic that giving people the benefit of being able to work from home



has led to higher productivity and worker morale. Company engagement and culture have remained very good." At the same time, the main drawbacks reportedly are challenges with internal communication, management, engagement, maintaining company culture, less innovation/brainstorming and more-difficult onboarding.

## Bicycle market – Europe

Grassroots® commissioned interviews with sources at bicycle shops in Europe to assess demand, inventory and pricing for conventional bicycles and e-bikes. Overall sales of bicycles are expected to increase in 1H 2021 vs. 1H 2020 for 73% of sources each in Germany and the Netherlands and 67% in France, while they are expected to decrease for 100% in Italy and 73% in the UK due to ongoing severe product and component shortages. One hundred percent in Germany, Italy and the UK; 93% in France; and 87% in the Netherlands expect the current high levels of demand for bicycles to continue until at least 2022.

Regarding the sales ratio of conventional bicycles vs. e-bikes, it varies among countries, but sources expect the ratio of e-bikes to increase in all countries surveyed. In addition, e-bikes are expanding the overall customer base for 100% in France and Italy, 87% in

Germany, 73% in the UK, and 53% in the Netherlands, while they are cannibalizing other bicycle segments for 47% in the Netherlands when customers replace their conventional bicycles.

Meanwhile, sources said the average selling price (ASP) of a conventional bicycle currently ranges from USD 699 to USD 1,130, and the ASP of an e-bike ranges from USD 2,411 to USD 5,400. The ASP for both types of bicycles reportedly is up vs. one year ago in all countries surveyed expect Italy, where it is flat, and it is expected to increase an average 2%–13% in each country for both types in one year. As to the inventory situation, it has not normalized to pre-COVID-19 levels for 100% of sources in Italy, the Netherlands and the UK; 73% in France; and 53% in Germany due to temporary factory closures, followed by reduced production levels.

## Consumer sentiment – China

Grassroots® commissioned interviews with consumers in China to examine opinions of economic development and household spending power. Ninety-three percent of sources expect China's economy to improve in the next 12 months after COVID-19 is contained, although the top concern for this year is community spread of COVID-19. Impressions of current household financial situations vs. last year are mixed: 36% said it is worse, 34% said it is the same, and 30% said it is better. In the next 12 months, 66% of sources expect their household financial situation to improve.

Meanwhile, household supplies/necessities, education and healthcare are the categories in which sources expect to increase spending the most in 2021 vs. 2020, while luxury goods, domestic travel and dining out are the areas in which they expect to decrease spending the most. Among food products, dairy products and meat/seafood are the categories in

which spending is expected to increase the most, while packaged food, instant noodles and snacks are the categories in which spending is expected to decrease the most. Among beverage products, dairy products, soy milk/plant-based milk and coffee/tea drinks are the categories in which sources expect to increase spending the most, while alcoholic/carbonated beverages is the category in which they expect to decrease spending the most.

Compared to pre-COVID-19 habits, 73% of sources prefer home cooking and will reduce their frequency of dining out and ordering food delivery, and 73% prefer online grocery shopping to physical stores. Regarding travel, 67% have planned a leisure trip this year, with travel by air and road preferred. In addition, 44% of sources would consider traveling overseas when restrictions are lifted, while 37% will wait and see, and 19% will not do so anytime soon and will avoid air travel.

## Shipping trends – Asia and the Middle East



To gauge current and expected shipping demand and capacity trends and examine which routes have better growth potential as well as the competitive dynamics, Grassroots® commissioned interviews with representatives of shipping companies and freight forwarders in India, Singapore and the Middle East. Overall container shipping volume in January–February 2021 decreased year-to-year for 83% of sources, remained flat for 11% and increased for 1% – the decline was due to the lack of containers as a result of an imbalance of imports and exports, port congestion in the US and Europe, and Chinese shippers paying to ship empty containers back to China. Looking ahead, in 1H 2021, 57% expect overall container shipping volume to decrease year-to-year and 17% expect it to remain flat due to continued shortages, while 26% expect it to increase, as container availability is expected to improve by May – Asia–Middle East, transpacific and Asia–Europe lines are expected to be the main drivers.

Meanwhile, 80% of sources in India and the Middle East said current use of ships and containers is much

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lower than during the same period in normal (i.e., non-COVID-19) years due to container misallocation and short supply, while 50% in Singapore said it is in line with normal years, and 50% said higher, as all available ships and containers are fully used. In addition, the cause of underutilized containers reportedly is that some 50,000 containers seized by customs are lying unused in Indian ports; containers cannot be used to export cargo, as some shippers discharge import cargo and take empty containers to China.

As to the current supply situation of containers, 97% of sources said it is tight. Looking ahead, expectations for the supply situation of containers for the rest of 1H 2021 are mixed: 54% expect it to tighten, as the short supply issue is yet to be resolved; 26% expect it to remain at the current level; and 20% expect it to loosen due to improving port efficiency in the Middle East as well as an increase in imports and plans to rent empty containers from abroad in India. In addition, 89% of sources said port congestion currently is an issue due to container issues, labor shortages and COVID-19 restrictions. Looking ahead, 100% in Singapore, 53% in India and 50% in the Middle East expect port congestion to be a long-term issue, while 47% in India and 50% in the Middle East expect it to recover soon. Regarding freight rates, sources expect rates for all lines to trend up 140%–400% in 1H 2021 vs. 1H 2020, with the greatest increase for transpacific and Asia-Europe lines. Major shippers reportedly have announced rate hikes for March, although the pace of the freight rate increase seems to be moderating since mid-January.

## Autonomous-vehicle technology – California

Grassroots® commissioned interviews with government officials in California as well as industry experts to gauge when fully autonomous vehicles (AVs) might come to market. Among sources who provided estimates, the technology behind Society of Automotive Engineers level 4 AVs is expected to be ready to come to market in an average of six years, with 27% saying widespread deployment is decades away and 13% saying the technology is available right now in certain settings.

Meanwhile, among sources who provided estimates of when California regulations will be passed that will allow AVs to come to market, 38% expect such regulations to take four years or more, and 25% expect regulations to be passed in two years or less. Among all sources, 56% expect regulations to develop hand-in-hand with

technology. Many variables – including expected federal regulations, the shifting of liability, labor concerns about automation, and the industry's moving passengers or goods – reportedly are expected to shape the timing and nature of future California regulations.

As to the impact of COVID-19, 25% of sources said the pandemic and associated disruptions have affected the timeline for AV introduction and regulation by generally delaying AV projects; 25% cited AV testing specifically; 19% each cited revenue disruptions and increased demand for driverless delivery; and 13% each cited industry consolidation, decreased demand for shared vehicles and a shift in priorities from passengers to freight.

## Animal health products – Germany

To assess how the number of appointments and diagnostic tests is trending, the total amount spent on animal pharmaceuticals, and the number of pets with medical insurance, Grassroots® commissioned interviews with representatives of veterinary clinics in Germany. Fifty-three percent of sources said the number of appointments is up since the beginning of the year, because people have adopted more pets during the COVID-19 pandemic and are spending more time with them, while 40% said flat, and 7% said down – in the latter two cases as they cannot take more appointments because of COVID-19 restrictions. In addition, 53% said the number of diagnostic tests is trending up so far in 2021 due to an increased number of appointments and because

a lot of tests can be performed in-house, while 40% said flat, and 7% said down.

Meanwhile, 53% of sources said the total amount spent on animal health products is up so far in 2021 compared to the same period last year, in line with the number of increased treatments, while 40% said flat, and 7% said down because of economic reasons.

Among sources who commented, 54% said the number of pets with medical insurance in general in 2021 is up compared to the same period last year, mainly for surgeries or expensive treatments, while 46% said it is flat. One source commented, “We do see more dogs with insurance now, but many do not have general insurance; they mostly only have it for expensive treatments.”

## About Grassroots® Research

Grassroots® Research is unique to Allianz Global Investors. The Grassroots® Research division combines 7 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 San Francisco, Frankfurt and Hong Kong

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