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Grassroots® Research
Market Monitor

Food equipment market – China

To understand the success factors in the food equipment industry, the competitive landscape for Western equipment makers, and the outlook and motivation for equipment spending, Grassroots® commissioned interviews with representatives of food and beverage companies in China. Forty-eight percent of sources said the most important criterion for selecting a processing equipment provider is technology, as it allows for greater efficiency and automation and improves product quality; 20% said reliability; 12% each said reputation and full-line solutions; and 8% said price.

Meanwhile, 72% of sources buy the majority of their processing equipment from domestic providers due to better price/quality ratio and the greater convenience of getting service compared to Western brands – although 39% of these are considering upgrading to Western brands if budgets allow – while 28% buy most of their equipment from Western brands due to superior technology, efficiency and reliability.

In the next few years, 48% of sources expect prices of processing equipment to increase moderately and 28% significantly, while 20% expect them to remain stable, and 4% expect them to decrease moderately. In 2021–2020 vs. 2019–2020, 48% expect their equipment and service spending to increase significantly due to high usage volume, increased hygiene standards and growing demand, while 32% expect it to increase moderately, 16% expect it to remain stable, and 4% expect it to decrease moderately. When asked in which part of the value chain they expect to spend the most in the next five years, 52% of sources cited further processing equipment, 28% cited end-of-line equipment, 16% cited secondary processing equipment, and 4% cited primary processing equipment. As to the primary motivation to buy additional equipment in the next five years, 60% said to adapt to growing consumer demand for high-quality products, 29% said productivity improvement, 12% said compliance with standards, and 8% said capacity expansion.

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COVID-19 lab testing – US

To gauge the challenges labs are having with COVID-19 acute testing, Grassroots® commissioned interviews with representatives of COVID-19 testing labs in the US. Among sources who commented, 50% said their labs have low COVID-19 positivity rates, 36% said medium, and 14% said high – an average 14% overall. On average, labs reportedly conduct 214 COVID-19 tests per day, with a potential peak capacity of 477 per day; 60% are operating at below peak capacity – either due to lack of specimens, shortage of supplies or lack of staff – while 32% are operating at peak capacity.

Regarding the biggest obstacle their labs have had with getting acute testing numbers higher, 68% of sources cited lack of test kits and supplies due to allocations, and 20% said lack of staff – bottlenecks expected to continue going forward. One source commented, "All labs have issues with supplies, such as swabs and test reagents. That's the No. 1 issue. Unless production ramps up, it will still be the bottleneck for us going forward."

Meanwhile, 56% of sources use Cepheid's GeneXpert for molecular diagnostic testing; 36% use Thermo Fisher Scientific; 20% use BioFire Diagnostics; 16% each use Hologic and Luminex; 12% each use GenMark Diagnostics, Abbott Laboratories and Roche Holding; and 4% use Bio-Rad Laboratories. Among those who commented, 60% have not attempted to order additional instruments to facilitate their COVID-19 testing ramp – either because they have had enough instruments or due to lack of tests, space limitations or lack of finance.

Clear aligners and scanners – China

Grassroots® commissioned interviews with sources at orthodontic practices in China that offer clear aligners in order to assess the change in demand compared to before the COVID-19 pandemic and identify the preferred brands of aligners and scanners. Demand for clear aligners is down for 100% of sources – an average 54% – compared to before the pandemic, due to business shutdowns of one to two months, concerns about COVID-19, people being less concerned about orthodontia when their faces are covered by masks and the affected income levels of prospective patients.

Regarding brands of clear aligners, 100% of sources prescribe Invisalign, accounting for more than 50% of total treatments, due to good brand reputation with advanced technology and reliable quality, user-friendliness, and effectiveness; 68% prescribe Angelalign to patients who cannot afford Invisalign; 24% prescribe Smartee; 20% EasySmile; and 16% Mega-teeth. In addition, 80% said brand reputation is the most important reason to choose a brand to prescribe, as it signifies good effectiveness, reliable quality and advanced technology, while 20% cited price.

As to scanners, 48% of sources currently use the Sirona, as it is the most popular brand on the Chinese market, with advanced technology and good service; 16% use the TRIOS due to advanced technology and ease of use; 8% each use the iTero, ESPE and Carestream; and 4% each use the Condor, Densys 3D and Planmeca. In the next 12 months, no sources plan to change the brand of their clear aligners or scanners, due to lack of budget and demand during the pandemic.

COVID-19 serology tests – Germany

To assess average weekly testing volumes, Grassroots® commissioned interviews with representatives of labs in Germany that conduct COVID-19 tests. On average, sources' labs conducted 5,627 COVID-19 tests using polymerase chain reaction (PCR)/nucleic acid amplification–based tests per week in mid-April and 6,771 in mid-June – due to more automated tests and mass-screening demand in June. Labs reportedly invested in high-throughput technology and additional workforce and prioritized COVID-19 testing over other diagnostics. Sources sometimes attributed fluctuations in numbers to supply chain interruptions and local outbreaks requiring more testing. Looking ahead, 73% expect volume demand for COVID-19 PCR tests to increase – an average 23% – in the next six months due to forthcoming mass screenings of schools, hospitals, nursing homes and certain industries as well as free COVID-19 tests for everyone in Bavaria starting on July 1, although none expects other states to follow in the immediate future. Meanwhile, 53% of sources cited Roche as their preferred PCR test supplier; 13% cited Altona Diagnostics; and 47% are keeping their options open and alternate among suppliers depending on the availability of test kits, reagents and other materials. Fifty-three percent prefer individual suppliers of validated tests due to the fleet installed in their labs.

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As to COVID-19 antibody/serology–based tests, on average, sources' labs conduct 386 per week. Although these tests are seen as an important element of epidemiological studies, the low demand reportedly is due to the limited value of these tests regarding predicting immunity against repeat infection and the lack of insurance coverage for testing asymptomatic patients. Looking ahead, 100% of sources who commented expect volume demand for COVID-19 antibody/serology–based tests to remain flat or decrease – down an average 8% overall – in the next six months unless there is new scientific evidence regarding antibodies and protective immunity, or they are asked to participate in an epidemiological study. Forty percent do not expect high demand for serological point-of-care or home testing, as these tests are overpriced compared to lab tests, and the public is aware these tests cannot predict lasting immunity from repeat infection. Meanwhile, 64% of sources who commented cited Roche as their preferred supplier of antibody/serology–based tests, mainly due to installed fleet, high sensitivity and low false positives; 45% cited Euroimmun due to availability, installed fleet and high sensitivity; 18% cited Siemens Healthineers' assays due to installed fleet and quality; and 18% cited DiaSorin due to good throughput and high specificity.

Regarding the main requestors of antibody/serology–based tests, 69% of sources who commented cited primary care doctors' offices, while 64% cited hospitals or both doctors' offices and hospitals. None is part of epidemiological research, and outside of large-scale studies, COVID-19 testing is coordinated by doctors, while health authorities are in charge of contact tracing. Sources said many tests are for individuals who want to know whether they have already been infected.

Business and employment trends at SMBs – US

To gauge business trends in light of COVID-19 and how difficult it is to hire/rehire employees as the unemployment stimulus gets reduced or goes away, Grassroots® commissioned interviews with representatives of SMBs in the US. Forty-four percent of sources' businesses are fully open with no restrictions; 52% are operating with limited hours, capacity and/or accessibility; and 4% are closed and will reopen when permitted. Meanwhile, among businesses currently open, 50% never closed, often because they were considered essential, while 50% reopened between May 1 and June 26.

When asked about the biggest operational challenges as a result of the pandemic, 36% of sources cited COVID-19 restrictions, guidelines and anxiety; 32% cited loss of revenue and customers; and 8% cited difficulty hiring employees. Regarding staffing levels, 76% said they have been reduced since mid-March, while 24% have continued operating at full pre-COVID-19 levels. In addition, 74% of sources have brought back employees and/or hired new employees, 14% kept on all employees and have not hired any new employees, and 12% reduced staffing levels and did not bring back or hire any employees. Meanwhile, 54% said it has been or will be easy to bring back employees, 32% said neutral, 6% said somewhat difficult, and 8% said extremely difficult.

As to sales, they have been improving in the past four weeks vs. the end of June 2020 for 56% of sources, while they have been stable for 24% and are still declining for 20%. Looking ahead, 70% believe they can operate indefinitely in the current environment, while 30% may only be able to continue operating for months.

Branded disinfectants in the B2B market – US

Grassroots® commissioned interviews with representatives of hotels and restaurants in the US to determine the increase in the use of disinfectants compared to before the COVID-19 pandemic, gauge the preferred purchasing channel for disinfectant products and examine whether current hygiene measures will become permanent following the pandemic. Use of disinfectants has increased for 100% of sources – an average 60% – since the COVID-19 outbreak, due to the need for repeated cleaning of high-touch surfaces and guest areas. Indeed, 52% have introduced/substantially increased use of disinfectant sprays as a result of the pandemic, and 48% have introduced/substantially increased use of surface cleaners.

Meanwhile, 72% of sources do not use branded disinfectants, while 28% do use branded disinfectants. Seventy-six percent said the brand of disinfectant is not important, while 16% said it is important, and 8% said very important. As to purchasing disinfecting products, 100% of sources do so through professional wholesale channels.

Regarding current hygiene measures, 44% of sources expect to maintain them permanently even after COVID-19, while 36% expect to maintain them to a minor extent, 16% were unsure, and 4% do not expect to maintain current measures. One source said, "The new normal is going to be increased hygiene strategies like we've never seen in the past. I expect they'll stay. Maybe a year from now, there might be some relaxing, but we're going to need to see what happens with the virus first."

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
- 7 in-house staff in San Francisco, Frankfurt and Hong Kong

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