

Grassroots Research® Market Monitor

Corporate PC refresh cycle survey – US and Japan

Grassroots® interviews with IT decision makers at large-sized enterprises in the US and Japan revealed that 30% and 32% in each country, respectively, have already started PC replacement in response to Microsoft Windows 10 support expiry; and 63% and 65% in each country, respectively, have had a replacement roadmap in place. The peak season for replacement to take place is reportedly 4Q 2024 and 1Q 2025 in both countries.



Implementing advanced security software and enhanced employee training on cybersecurity are reportedly the top two critical actions for sources in both the US and Japan, together with regular security audits cited as the third critical measure in the US, and restricting access to sensitive data in Japan.

IT budgets for PC procurement are expected to go up both in 2024 vs. 2023 and 2025 vs. 2024 in both countries – In the US, 40% expect an increase of 10%–30%; 40% expect an increase of 30%–50%; and 13% expect an increase of more than 50% in 2024 vs. 2023. In Japan, 44% expect an increase of 10% – 30%; 27% expect an increase of 30%–50%; and 13% expect an increase of less than 10% in 2024 vs. 2023. A similar pace of budget increase is expected for 2025 vs. 2024.

64% and 63% in the US and Japan, respectively, have tested AI PCs available in the market. 68% in the US and 62% in Japan cited they are very likely to consider adopting AI PCs in an upcoming corporate PC refresh, while 29% and 34% in each country, respectively, cited a possibility.

Productivity enhancement is the leading factor in driving AI PC adoption in both countries, followed by capability in better decision-making. Automated data analysis is the most sought-after AI function, followed by

Research summaries on:

- Corporate PC refresh cycle survey – US and Japan
- Consumer sentiment survey – China
- Luxury goods – Hong Kong
- Sports nutrition products – US
- Recreational vehicle market – Germany

AI assistance such as ChatGPT, task automation, and predictive analysis.

Security features and compatibility with existing systems are the top two critical factors for PC brand choices in both countries. In the US, price and value for money, design, and build quality are the next important factors. In Japan, customer support and warranty services play an important role, ahead of price and value for money.

Consumer sentiment survey – China

Grassroots® interviewed general consumers in China to check on changes to household spending and consumption activities. 55% expect the economy to improve gradually in the next 12 months and 9% expect a sharp improvement, while 29% expect it to stay flat. Sources in first-tier cities are relatively more positive about economic development than those in lower-tier cities. Coping with inflation and economic recession are currently the top concerns among all, and that potential salary cut/income loss is more of a concern for people in first-tier cities than in lower-tier cities.

Savings as a proportion of monthly income ranges from 10%–60% for the majority of sources, with 20%–40% being the most common range of monthly savings. 49% of sources cited a slight increase in savings vs. a year ago, while 27% maintained savings, and 24% have reduced. Looking ahead at the next 12 months, 45% expect to save more vs. the current level, while 39% expect to maintain savings, and 15% expect to save less.

58% of sources reported an increase in household disposable income compared to last year. Domestic economic conditions and inflation remain the top two factors influencing household income this year.

39% cited their household financial situation has improved vs. the same period last year, while 32% cited it has stayed the same, and 28% said it has worsened. For the rest of 2024, 56% expect their household financial situation to improve, and 35% expect it to remain stable.

In response to the recently launched stimulative policies, 61% think they will bring sustainable improvement to the economy, while 29% think they will only bring short-term improvement. Those with higher incomes are relatively more upbeat about the policies than those with lower incomes.

52% of sources think there will definitely be more supportive policies to come, and 41% think there probably will. Higher-income sources are relatively more optimistic about future supportive policies. Among those, 43% expect to see more supportive measures for boosting consumption.

52% have been consuming/willing to spend more because of the recent supportive policies, while 41% said there is no change to their consumption behavior. For those who have increased consumption spending, 51% have spent more (or plan to spend more) on travel, followed by food and beverage/dining out, and consumer electronics.

67% expect their household spending to increase in 2024 vs. 2023, 22% expect it to remain stable, and 10% expect it to decrease from last year. Change in income plays the most important role in determining willingness to spend, together with inflation causing spending to increase. For those who expect to reduce spending, 29% tend to save up more for future use.

Household supplies, groceries, apparel, footwear and accessories are the top three categories sources most likely would increase spending in 2024 vs. 2023. On the other hand, big ticket home appliances and luxury goods are categories most likely to see lower spending.

Luxury goods – Hong Kong

Interviews with luxury retailers in Hong Kong showed that 80% of sources reported lower foot traffic this year compared to the same period last year due to a high base following the reopening of Hong Kong borders post-COVID, lower tourist numbers, and locals shopping more overseas; while 13% saw higher foot traffic due to greater brand appeal and awareness; and 6% said flat.

Meanwhile, 80% said sales were down this year compared to this time last year as tourist numbers were not back to pre-COVID levels and local shoppers

were spending more on luxury goods on their travels overseas. 13% said sales were up mainly from increasing brand appeal and higher sales from overseas customers from countries such as Singapore, Malaysia, the Philippines, Japan and others; and 1 said sales were flat.

Among the 53% who commented, half mentioned Hermès (Hermès International), Chanel, Dior, Fendi, Louis Vuitton (all LVMH Moët Hennessy Louis Vuitton), and Moncler as brands gaining market share. At the same time, the rest said that no brands really stood out as sales were based on customer preferences and needs, and 25% said

that Gucci and Saint Laurent (both Kering) are losing market share.

Looking ahead, 60% said sales for the rest of 2024 will be flat compared to the first half of 2024, as they expect higher sales in October (during the National Day holidays) and over the year-end shopping season to compensate for the quiet summer months. Meanwhile, 27% expect lower sales from locals continuing to buy more luxury items on their travels overseas and fewer Mainland Chinese customers, and 13% said growing brand appeal and year-end spending will improve sales in 2H 2024 vs. 1H 2024.

Sports nutrition products – US

Grassroots® interviewed sources at retailers of sports nutrition products in the US to check on sales trends and market competition. Overall sales of sports nutrition products have increased for 60% in the past 12 months vs. the same period last year, driven by social media content pushing the health/fitness benefits and new brands/innovative products, while they remained flat for 32% and decreased for 8%.

Among the 92% who commented, 61% noticed a positive impact from crossover sales for the sports nutrition category from customers shopping for weight management supplements/drugs to counter the side effects of GLP-1 usage, while 39% see no change.

Sales of Optimum Nutrition (ON) (Glanbia) products remained the same for 48% over the past 12 months and decreased for 28% due to lack of new competitive products, while they increased for 24% due to brand recognition and customer loyalty. For Glanbia's other brands in the same category, sales have also remained the same year-over-year for most who carry Isopure, Amazing Grass, and think!.

The brands most mentioned that have gained market share in the past six months include CBUM/Raw Nutrition for 56%, 44% said Gorilla Mind and 24% said Ryse (Ryse Up Sports Nutrition) due to a strong social media presence, while none have gained for 24%. At the same time, 84% said no brand has lost market share in the past six months, while 12% said ON due

to lack of innovation, 4% said Isopure because of cost, and 4% said Ghost.

The level of promotions for ON vs. competitors over the past six months has been trending the same for 60%, while 40% said ON promotes less than some brands. At the same time, 96% do not see any changes in terms of price and promotions over the next 12 months, while 4% project more promotions to drive sales.

68% expect sales for sports nutrition products in general will increase for the next 12 months vs. the past 12 months due to growing social media presence and consumers' focus on health, fitness and looking good, while 32% expect it to remain the same due to the saturation of retail outlets selling the same products at the same prices.

Recreational vehicle market – Germany

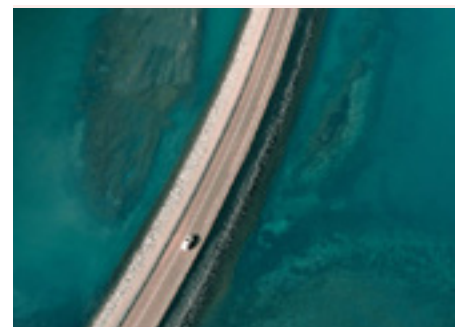
Interviews with RV dealers in Germany showed that customers' interest in purchasing recreational vehicles (RVs) has decreased over the past two years for 93% as a corrective decrease following the COVID boom – which brought an additional boost to individual travel and won many new clients after already successful years up to 2019 – as well as overall economic and political insecurity plus inflation and high interests putting a break on spending.

Inquiries for financing schemes have risen, as interest rates are high, and economic insecurity has customers refrain from spending too much at once. At the same time, trading-in has gone up as inventories have piled up in previous years and prices have deteriorated. Indeed, sources said the customary method of payment used to be cash, especially among Knaus

Tabbert customers as it is considered a premium brand for those with high purchasing power, often retirees.

Among 60% who cited figures, dealers have been offering discounts of an average 10% off the list price to stimulate demand and still retain a margin – with mention of much more extreme discounts of 20%–25% at other dealers who accept loss to clear inventory. Brands and dealers often form an alliance for joint discount schemes, with a wide array of how it works.

80% said they plan to reduce inventory over the next 12 months as stocks are still too high and the oversupply of used RVs bought in 2020–2022 are now offered for sale cheaply, thus slowing sales of new models in stock. 47% expect it will take six to 12 months for inventories to return to normal levels, while 27% said 12 months or more, and 1 said they had no issues with inventory levels – most dealers



were reserved with giving a time frame, with views varying between early 2025 or late 2025 into 2026.

Regarding orders during autumn/winter 2024 for the 2025 season, most plan to order less than during the same period in 2023, and significantly less than the same period in 2022, due to inventories still full of previous model years. While outstanding demand in 2022 eclipsed production volumes, increased production capacity and supply chain improvements in 2023–2024 were met with decreasing demand.

About Grassroots Research®

Grassroots® services are unique to Allianz Global Investors. The Grassroots Research® division combines in-house employees, a global network of 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 web data.

- 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+ contacts from industries such as consumer, technology, healthcare, materials, industrials, energy and financial companies
- 300+ Field Force who conduct quantitative market research among consumers
- 50+ 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>

Disclaimer. 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 this 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, except for the case of explicit permission by Allianz Global Investors. 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; Allianz Global Investors UK Limited, authorised and regulated by the Financial Conduct Authority; 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).

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.