Issue 04 | 2023

Grassroots Research® Market Monitor

Generative AI–US

To understand where companies are in their AI adoption, Grassroots commissioned interviews with IT sources in the US. Among sources who commented 77% said very few AI projects were started in 2022, and 22% said none. Looking ahead, 33% expect a lot of AI projects to start in 2023, 33% said some, and 33% said a few.

When asked about the top objective of machine learning and IT investment, sources cited mundane tasks to improve productivity, followed by advanced analytics for better decision making and improving customer service. One source said, “The main objective of investing in AI is to increase efficiency. There are a lot of tasks that could be done faster or automated that generative AI unlocks the opportunity to do, even more so when generative AI models are trained with the company’s proprietary data. I do see some secondary benefits beyond just efficiency. An effective AI program can improve the work product and improve employee satisfaction. If they stop working on tedious tasks but more interesting items are added to the workflow, that might be empowering.”

Meanwhile, 100% of sources use generative AI for business purposes, with ChatGPT (Open AI) the primary platform. Looking ahead, the first business processes sources expect to be affected by generative AI are automating administrative tasks, followed by customer engagement and communication, content creation, and data analytics. As to the level of interest in Microsoft’s Copilot once it is released, 66% said it will be high, while 33% said neutral. In addition, 88% of sources said the announced $30 per

seat per month pricing will affect early demand/adoption, while 1% said it will not. Sources expect an average 17% of knowledge workers to need Copilot during the early adoption phase, and an average 69% will need the product longer-term; the rollout to employees is expected to take to take an average of six months.

Cruise demand–US

To gauge cruise operators' ability to raise prices and get customers to spend extra money while onboard, Grassroots surveyed consumers who have taken a cruise in the past 12 months. Compared to land-based vacations, 86% of sources believe taking a cruise is better value for their money. If a price increased by $100, 78% would not cancel a cruise, while 22% would cancel with any increase. In terms of the top items purchased on board sources' last cruise, these include food, alcohol, and gift shop items. The overall money spent onboard the ship exceeded expectations for 34%, while it was in line for 57%.

Looking ahead, 97% of sources plan to take another cruise in the future. Among these, 55% think their overall money spent onboard the ship will be the same relative to their last cruise, while 40% think it will be more. Among sources who plan to cruise in the future, the top reasons are that they enjoyed the overall experience, want to see new destinations, and want to go on a longer cruise. Among those who do not plan to cruise in the future, the top reasons are that they are on a budget, not interested in the all-inclusive nature of cruising, and not interested in the crowds and noise.

As to the top cruise lines with which sources have taken journeys in the past 12 months, they are Royal Caribbean Cruises and Carnival. The main reasons sources chose to cruise with a particular brand are good prior experience, amenities available onboard, and price of the ticket. Regarding the risk of catching COVID-19, 65% are not concerned, while 20% are. Among sources who are concerned, 81% cited the risk of contracting it onboard the ship, and 68% cited the possibility of being quarantined on the ship if exposed. As to the number of vacations taken in a year, on average, 55% take two or fewer, while 46% take three or more. Meanwhile, 63% of sources have taken one to five cruises in their adult lifetime, while 37% have taken more than five.

Auto insurance trends–US

To gauge current auto insurance trends, Grassroots commissioned interviews with insurance agents in the US. Sixty percent of sources said shopping activity (inbound requests for an insurance quote) increased in 1H 2023 vs. 1H 2022, as clients sought lower-priced premiums. Looking ahead, 60% expect auto insurance shopping activity to increase in 2H 2023 vs. 2H 2022. One source said, "[Shopping activity] is up from last year. As soon as they see their premium renewal, they're on the phone calling us. For 6 out of 10 people, we can find them a better quote, often with the same carrier. We're also seeing new customers contacting us wanting a better rate, and they figure it's time to switch brokers now."

Regarding sales of new auto insurance policies, sources said they increased an average 1% in 1H 2023 vs. 1H 2022, since many brokers shifted existing customers to other policies rather than bringing in new business. Sales of new policies are expected to increase an average 2% in 2H 2023 vs. 2H 2022.

One hundred percent of sources said auto policy pricing across all carriers trended up—an average 25% overall—in 1H 2023 vs. 1H 2022, as carriers hiked premiums to cover higher repair bills and increased reinsurance costs. Policy pricing is expected to increase an average 24% in 2H 2023 vs. 2H 2022. One source said, "We will keep seeing rate increases. They will probably continue through year-end and into next year, too. The cost of repair has gone up so much—as well as reinsurance rates—that carriers don't have much choice but to raise premiums."

Mountain bike market–US

To gauge current mountain bike inventory levels, the pricing environment, and future ordering plans, Grassroots commissioned interviews with sources at bicycle shops in the US. In 2H 2023 vs. 2H 2022, 72% expect sales of mountain bikes to decrease, while 28% expect them to remain flat due to softer demand after a strong uptick in sales during COVID-19 due to a spike in outdoor activities. One source said, "We had the most intense demand from 2020 through mid-2022, when sales peaked. Everyone who wanted a bike had bought one during COVID. Then sales started slowing down. We saw a real drop in demand [in] fall 2022. People went back to work, started doing normal pre-COVID stuff, and others realized biking [was] not for them, too dangerous. We expect 2H 2023 demand will be down maybe 8% from 2H 2022. It will be down, but not crazy down, as we go back to more normal demand trends." Looking ahead, 72% of sources expect overall mountain bike sales to remain flat in 2024 vs. 2023, while 28% expect them to increase slightly.

As to current inventory of mountain bikes, 56% of sources said it is optimal. One said, "When demand dropped, we aggressively added sweeteners to brand deals to sell through excess inventory, especially with older models. Our inventory is where we want it to be," At the same time, 44% of sources said current inventory of mountain bikes is too high, with plans to use brand discounts to bring it down to a reasonable level by 4Q 2023–spring 2024. One commented, "We are still heavy from inventory ordered during the supply chain crunch, when we overordered just to get supply. We will be deep discounting older models at our end-of-year sale, and we expect to be back to normal inventory by the end of the year."

Regarding mountain bike orders, 68% of sources expect them to decrease in 2H 2023 vs. 2H 2022, while 20% expect them to remain flat, and 12% expect them to increase. One said, "Now that inventory is back to optimal, we will be ordering our minimums plus a little, maybe 3% over what we did compared to the back half of 2022, but very conservative. We need more clarity about what 2024 will look like." In 2024 vs. 2023, 48% of sources expect orders of mountain bikes to remain flat, while 36% expect them to increase, and 16% expect them to decrease. One said, "We ordered a lot less in 2023 because of excess inventory and expect our 2024 orders [to be] in line with 2023. We no longer do preorders to qualify for deals and programs. Until we get more clarity on demand trends, we will be replacing inventory more real-time with sales, as brands can ship weekly. There is no need to preorder anything with ample supply."

When asked about market share shifts among mountain bike brands, 80% of sources said there were none. One said, "The last few years, all the brands have had ebbs and flows in popularity but no market shifts. All top brands are very high-quality, and a lot comes down to personal preference—the look, fit, and feel—and the brand's marketing."

Metaverse advertising–US and UK

Grassroots commissioned interviews with sources in the US and the UK familiar with advertising in the metaverse to see what they think of advertising on it. Fifty-four percent said the benefits include brand loyalty and deeper engagement, while 46% said it is too early to measure the benefits. One source said, "There are four major benefits. The first is increased engagement. The second is it's more social, and as humans we care deeply about being social. The third is there's vastly more data, because you can track every action in a 3D environment, which we call spatial analytics. The fourth is advertising in the metaverse is also iterative, which means … you can immediately make adjustments ."

At the same time, among sources who commented, 58% said the experimental nature of creating advertising in the metaverse is the biggest barrier for advertisers to invest in it— not current economic fears—while 42% said interest among trailblazers is unchanged.

As to the importance of targeting the Gen Z demographic, which the metaverse appeals to, 100% of sources who commented said it depends on a product's target demographic, and the challenge is creating ads that are seamless to the platform's experience, as this group is ad adverse. One source remarked, "These immersive experiences within games are more top of the funnel, building brand awareness and engagement to create excitement and a deeper brand loyalty by creating unique connections to their target demographic. The metaverse is very sticky, as people hang out for hours in these immersive experiences."

Digital advertising–US

To gauge the outlook for digital advertising spending and the competitive environment, Grassroots commissioned interviews with advertising buyers at large agencies in the US. Among sources who commented, an average 37% of digital advertising spend is purchased through programmatic/automated platforms. One said, "Our agency focus is more on the social advertising platforms, specifically Facebook and Instagram [both Meta]. Our focus is on paid social and getting the biggest return on investment for our clients. Programmatic is down on our list, maybe 20% of our total spend."

In addition, among sources who buy connect TV (CTV) advertising, an average 4% of digital advertising spend is allocated to CTV. One commented, "CTV is a lower percentage for our current clients. We've placed a lot on linear TV, which is purely negotiated and placed." Looking ahead, among sources who commented, 76% expect digital advertising spend on CTV to remain the same this year, while 1% expect it to increase.

Regarding retail media, 76% of sources who commented do not currently allocate digital advertising spend to retail media, while 23% do but could not provide a percentage. As to the competitive environment, the top reasons to use The Trade Desk's demand-side platform (DSP) vs. competitors' reportedly are breadth and size of the platform, followed by ease of use and customer service. One source said, "We've worked with The Trade Desk for eight or nine years now. We got in with them pretty early, when there were only a handful of DSPs out there. They have been buyer focused since day one. They're easy to use and have the experience to provide what media buyers need. They also have great customer service and an awesome team we work with."

About Grassroots Research®

The Grassroots Research® division combines a variety of resources and methodologies, including in-house employees; a global network of independent, experienced journalists and consumer researchers; more than 50,000 industry contacts; and online panel surveys. We use this network to apply innovative market research and investigative journalism techniques to identify stock and sector trends before our competitors do.

Advantages:

- Continuous exchange of information between Grassroots® analysts and our investment professionals
- Expertise of independent journalists and consumer surveys to reach sources on the ground
- Technological tools to target consumer and business panels online
- Timely business insights via quick turnaround times
- 30+ years of experience conducting customized investigative market research around the world

Resources:

- Access to thousands of consumers in more than 60 countries via targeted online consumer and business panels
- On-the-ground investigators who conduct quantitative market research among consumers
- 55+ reporters who conduct interviews with industry experts
- In-house team based in the US
- 50,000+ industry contacts worldwide from a wide range of industries, including consumer, technology, healthcare, materials, industrials, energy and financials companies

Grassroots Research®

Lead Research Analyst, Grassroots Research:
Michele Rumfola

Research Analyst, Grassroots Research:
Phil Simon

Grassroots® Market Monitor is published quarterly by Grassroots Research, a division of Voya Investment Management.

Voya Investment Management
555 Mission Street, Suite 1700
San Francisco, CA 94105
USA
phone: 415.954.5400
email: VoyaIMGrassrootsResearch@voya.com
online: www.voya.com