PET CARE: NEW INSIGHTS AND SYSTEM REFRESHER

August 2016
KEY INSIGHTS
WHERE ARE WE HEADED?
SYSTEM REFRESHER
Pet care growth slows slightly in 2016
Top three pet care markets by region

Latin America Retail Value Sales 2016
- Brazil: 60%
- Mexico: 25%
- Argentina: 10%
- Others: 5%

Asia Pacific Retail Value Sales 2016
- Japan: 65%
- China: 25%
- South Korea: 10%
- Others: 0%

Eastern Europe Retail Value Sales 2016
- Russia: 60%
- Poland: 25%
- Czech Republic: 15%
- Others: 0%
Europe at different speeds

Western Europe Retail Sales 2016

Pet Care: Value Growth 2015-2016

- Turkey
- Norway
- UK
- Spain
- France
- Switzerland
- Greece

2015-16 % value growth
In 2016, the US alone accounted for over 40% of total sales in the US$103 billion pet care market.

The size of the US market, and of other developed markets, in part reflects the trend of pet owners pampering their pets, boosting sales of premium pet food and pet products.

It also shows that significant opportunities remain in the market, despite increasing maturity and greater competition.

With a varied (human) population and with the rise of millennials as pet owners, the US is an increasingly diverse market. There is plenty of segmentation that still can take place, for example targeting emerging demographics. Innovation is well received and pet owners are keen to experiment. With a strong focus on ingredients and allergies, there is plenty of space for companies to innovate and gain sales in this competitive marketplace.
Eastern Europe and Latin America are less mature with economy dog and cat food being the most developed price platform. Typically, consumers enter via economy, trading up gradually as their economic circumstances improve.

With the recent economic uncertainty and upheaval in these regions, economy pet food remains attractive to many consumers.

At the other end of the scale, North America remains the most developed region, where premiumisation plays a key role in driving sales. Better quality ingredients, diets and small portions all drive premiumisation.
Natural pet food: Increasingly popular and driving premiumisation

- Rising demand for natural pet food is the most prominent trend currently affecting the US, and is showing significant signs of gaining traction further afield.
- All-natural products have been at the forefront of industry growth, as this characteristic resonates with a growing number of owners who want the best for their dogs and are transferring their own increased interest in health and nutrition to their pets. This has led to growing demand for products which are “free-from”, contain no genetically modified organisms (GMOs) and include such “superfood” ingredients as blueberries and sweet potatoes, as well as grain-free products, echoing the popularity of low-carb human diets.

Grain-free, (even more) meat protein and indulgence

According to the Association for Pet Obesity Prevention, an estimated 54% of dogs and cats in the US are obese, while in the UK, one in three dogs is obese or overweight.

This presents good opportunities for manufacturers to launch added value products and services, not only in terms of pet food but also pet products. Indeed activity monitors such as Fitbark are becoming popular.
Blue Buffalo moves into therapeutic pet food…

- Tapping into health-related issues, natural manufacturer Blue Buffalo has recently moved into the therapeutic arena.
- Claiming there is no choice for pet owners seeking natural products, the company has launched an aggressive move. This is directly against Hill’s typical territory. Colgate-Palmolive dominates sales in both therapeutic dog food and therapeutic cat food in the US market, holding a share of 60% in each category.
- Blue Natural Veterinary Diets is present in North America and is branded as a “natural alternative” for pets with specific medical conditions. The range is sold exclusively through veterinary clinics.
- While most of the growth has stemmed from non-therapeutic diets, there is increasing interest in this area. In some emerging markets, players have launched therapeutic products in order to build brand awareness and establish a stronger market presence.
... as competition intensifies

- **2013** Del Monte acquires Natural Balance
- **2014** Mars Inc acquires Procter & Gamble brands Iam’s, Eukanuba and Natura
- **2014** Spectrum Brands acquires Procter & Gamble brands in Europe
- **2014** Nestlé SA buys Zuke’s
- **2015** Nestlé SA acquires Merrick Pet Care
- **2015** JM Smucker acquires Big Heart Pet Brands (previous Del Monte)
- **2016** Wellpet LLC acquires natural manufacturer Sojos
- **2016** Agrolimen SA acquires Nature’s Variety Inc

Acquisitions are not confined to the manufacturer space. Whistle and Petfinder were bought by Mars and Nestlé, respectively, in order to engage with consumers. Nestlé is looking “to deepen engagement with and support of pet lovers”. Whistle, with its GPS system, offers the company an array of data that will help it to identify consumer habits.
KEY INSIGHTS
WHERE ARE WE HEADED?
SYSTEM REFRESHER
Global real value sales of dog treats soared by 27%, to US$7.7 billion, between 2011 and 2016.

While cat treats remains a much less developed segment than dog treats, value sales rose by 48%, to US$1.8 billion, between 2011 and 2016.

Demand for cat treats remains very limited in most markets outside North America and Europe, with Japan and Mexico being notable exceptions.

In terms of dog treats, the category is more mature globally. The highest gains over 2016-2021 are expected to stem from such diverse markets as Thailand, India and China.

Nevertheless, the US will remain the main contributor, with US$156 million growth in cat treats and US$917 million for dog treats.

Note: * Excluding US
WHERE ARE WE HEADED?

New online strategy in Malaysia: Surprise gift boxes

Pet Gift Box for Dogs and Cats!
Pet your pet’s heart with some thoughtful and fun surprises from our new subscription-based online shop in Malaysia!

1. Select Pet Size
Select your pet (dog / cat) size. Our experts will hand-pick the most suitable toys and snacks based on your selection!

2. Choose Plan
Choose a plan that suits you, we have subscription plan for every needs. The longer you subscribe, the more you save!

3. Giftbox Delivered
We deliver a gift box to you every month, so that you can continue to surprise your pet. When your pet is happy, you are!
With smartphones increasingly ubiquitous in many countries, electronic gadgetry is now integrated into the daily lives of mainstream consumers in a way that was hardly imaginable just a decade ago. Smartphones are increasingly functioning as the hub of an ecosystem of devices, such as fitness trackers.

Pets are increasingly being drawn into this ecosystem, with GPS trackers that stop them from straying too far and getting lost, toys and feeders that can be controlled from the other side of the world, and activity trackers that measure their level of physical activity. The latter are particularly appealing to those with obese pets.
Significant differences in pet care distribution

WHERE ARE WE HEADED?
WHERE ARE WE HEADED?

Modern grocery has a clear lead in developed markets

**Western Europe**

- Modern Grocery Retailers
- Pet Shops+ Superstores
- Internet Retailing
- Veterinary Clinics

**North America**

- Modern Grocery Retailers
- Pet Shops+ Superstores
- Internet Retailing
- Veterinary Clinics
Good prospects for pet care

Historic vs Forecast Performance of Pet Care by Region 2011-2021

Retail value (US$ billion, constant 2016 prices)

- North America
- Western Europe
- Latin America
- Asia Pacific
- Eastern Europe
- Australasia
- Middle East and Africa

- 2016 sales
- 2021 sales
- 2011-2016 CAGR
- 2016-2021 CAGR
KEY INSIGHTS
WHERE ARE WE HEADED?
SYSTEM REFRESHER
Euromonitor International covers 54 countries across all regions, providing top-level global and regional figures.
Dog and cat food by type and price platform

- Further breakdown on dog and cat food by type and price platform, providing more insight
Full channel coverage and analysis

Internet Retailing Goes Mainstream in Pet Food
Opinion | 20 Jul 2016

Damian Shore
Contributing Analyst

With smartphones increasingly ubiquitous, consumers growing more comfortable shopping online and sales of premium brands soaring, internet retailing is steadily growing in importance in the global pet food market, particularly in the Asia Pacific region.

South Korea leads the way

Internet retailing continues to grow in importance in the US$75 billion global pet food market, accounting for 4% of value sales in 2016, up from 3% during 2011, according to Euromonitor International data. South Korea is the world’s leading market in this regard, with internet retailing accounting for a whopping 30% of value sales of pet food in 2016.
Pet population: Further detail and analysis

- Pet populations: dogs, cats, small mammal and reptile, fish and bird.
- Five year forecasts are available on Passport.
- Number of households with dog and cats also available.
This research from Euromonitor International is part of a global strategic intelligence system that offers a complete picture of the commercial environment. Also available from Euromonitor International:

**Global Briefings**
Timely, relevant insight published every month on the state of the market, emerging trends and pressing industry issues.

**Interactive Statistical Database**
Complete market analysis at a level of detail beyond any other source. Market sizes, market shares, distribution channels and forecasts.

**Strategy Briefings**
Executive debate on the global trends changing the consumer markets of the future.

**Global Company Profiles**
The competitive positioning and strategic direction of leading companies including uniquely sector-specific sales and share data.

**Country Market Insight Reports**
The key drivers influencing the industry in each country; comprehensive coverage of supply-side and demand trends and how they shape future outlook.

Learn More
To find out more about Euromonitor International's complete range of business intelligence on industries, countries and consumers please visit www.euromonitor.com or contact your local Euromonitor International office:

- **Bangalore** +91 80 4904 0500
- **Cape Town** +27 21 524 3000
- **Chicago** +1 (312) 922 1115
- **Dubai** +971 4 372 4363
- **London** +44 (0) 207 251 8024
- **Santiago** +56 2 2970 2150
- **Shanghai** +86 21 603 21088
- **Singapore** +65 6429 0590
- **Sydney** +61 2 9581 9200
- **Tokyo** +81 3 3436 2100
- **Vilnius** +370 5 243 1577