GLOBAL PET CARE MARKET OVERVIEW: 2011 AND BEYOND

NORTH AMERICA OVERVIEW: LOOK AT US AND CANADA

PRODUCT DEVELOPMENT TRENDS AND OPPORTUNITIES

LOOKING BEYOND RETAIL
GLOBAL PET CARE SALES REBOUND IN 2011

Global Pet Care Retail Value Sales: 2006-2011

- Retail value sales (US$ bn)
- y-on-y annual value growth (%)

2006: 68.0
2007: 82.0
2008: 76.0
2009: 84.0
2010: 3.5
2011: 3.0

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KEY GROWTH SEGMENTS – PREMIUM FOOD, TREATS, HEALTHCARE

Global Pet Care Retail Value Sales: 2006-2011

Retail value sales (US$ bn)

Average market growth – 2.7% CAGR

Retail value sales (US$ bn) % CAGR 2006-11

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FASTEST GROWTH IN EASTERN EUROPE AND LATIN AMERICA

Overall Sales Growth and Per Household Spending in Pet Care 2011

- Eastern Europe
- Latin America
- Asia Pacific
- Western Europe
- North America
- Australasia

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BENEFUL: FASTEST GROWING DOG FOOD BRAND

Top 15 Global Dog and Cat Food Brands by Retail Value (2006-2010)

Average market growth – 5.3% CAGR

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Overall CAGR 3% in constant value projected for 2011-2016 period

Fastest growing markets will be found in Asia Pacific, Eastern Europe, Latin America and MEA
Dog food, healthcare, dietary supplements, and Other Pet Products (toys, accessories, apparel, etc) will be the fastest growing categories.

Importance of adjusting to local preferences when marketing successfully pet accessories and apparel.
PREMIUM DOG AND CAT FOOD IS EXPECTED TO SEE THE FASTEST GROWTH THROUGH 2016

Retail sales of premium dog and cat food are expected to surpass US$27 billion

Demand for economy food will be supported by emerging economies
NORTH AMERICA OVERVIEW: LOOK AT US AND CANADA
Sales of pet care in North America at US$30 billion in 2011
NORTH AMERICA OVERVIEW: LOOK AT US AND CANADA

NORTH AMERICA: CATEGORY ANALYSIS 2011

The graph illustrates the sales in US$ million fixed exchange rate across various pet categories in North America in 2011. The categories include Dog Food, Cat Food, Other Pet Food, Cat Litter, Pet Healthcare, Pet Dietary Supplements, and Other Pet Products. The growth percentage is also indicated for each category.
North America, US$ 35 billion in 2016
NORTH AMERICA: LOOK AHEAD

NORTH AMERICA OVERVIEW: LOOK AT US AND CANADA

Canada, US$ 3 billion in 2016


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NORTH AMERICA OVERVIEW: LOOK AT US AND CANADA

CATEGORY GROWTH THROUGH 2016

US$ million (fixed exchange rate)

CAGR growth %

- Cat Food
- Dog Food
- Other Pet Food
- Cat Litter
- Pet Healthcare
- Pet Dietary Supplements
- Other Pet Products

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While in Canada, mid-priced food accounts for the larger portion of sales in actual value and volume, in the US products positioned as premium significantly outsell mid-priced category.

Strong presence of natural and organic pet food products in the US feeds growth of premium category.

Economy segment is poised for decline in both Canada and the US, but the rate of decline is slower in the US.
Pet specialists (pet superstores, pet shops, veterinarians) and grocery retailers still account for the major share of sales.

But retailers that traditionally did not have a strong presence (or presence at all) in pet care retail enter the category; examples in Canada include Canadian Tire and Rona.

Strategies include launch of exclusive brands:
- Dog Whisperer with Cesar Millan at Canadian Tire in early 2011.
- Watching Target opening in Canada - in the US markets branded products as well as its own exclusive brands like LIFElong super-premium pet food.
PRODUCT DEVELOPMENT: TRENDS AND OPPORTUNITIES
INNOVATION TRENDS

- Humanisation and premiumisation
- Fortified and functional
- Convenience, functionality, 2-in-1
- Weight management
- All natural/organic/raw food
- Sustainability

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LAUNCH OF BENEFUL 2 IN 1 HITS WET DOG FOOD IN AUSTRIA

- Dry dog food, but can be turned into wet dog food; launched in 2009
- Price: EUR5.49/1.5kg (US$5.10/kg)
- Broad distribution through grocery and pet specialist channels

Performance of Beneful in Dry Dog Food in Austria (2006-2010)

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OTHER SIMILAR 2-IN-1 PRODUCTS

Finland: Friskies 2 in 1 by Nestlé Purina
- Product: Dry mid-priced dog food
- Launch date: In mid-2010
- Price: EUR 7.90/3 kg (US$3.68/kg)
- Distribution: Broad distribution through grocery and pet specialist channels

Brazil: Max 2 in 1 by Total Alimentos
- Product: Dry mid-priced cat food
- Launch date: Feb 2011
- Price: R10.30/1kg (US$6.52/kg)
- Distribution: Broad distribution through grocery and pet specialist channels
CONVENIENCE AND FUNCTIONALITY IN PET CARE IN DEVELOPED MARKETS

Japan: Yubi Haburashi (Finger Toothbrush) by Mindcare Corp

- First finger toothbrush on the market for pet oral care. Glove-like product that allows pet owners to clean their pets’ teeth with fingers
- Launched in early 2011
- Retails at average of ¥525 (about US$6.8)
- Broad retail distribution, including the Internet
Whiskas Organic by Mars Inc (Sweden, 2010) - Wet cat food made with meat and vegetables sourced from controlled organic farming; marketed as suitable for the fussiest cats; packed in sealed foil pouches

Original Pet Food Co Organic Beef (US, 2011) - Line of wet dog food made from organic grass-fed beef, high in omega-3 fatty acids and conjugated linoleic acid

Bioplan by Fressnapf (Germany, 2009/2010) - An extensive range of dog and cat nutrition, made with 100% organic ingredients. Bioplan is marketed as a balanced, agreeable, light, and easy to digest organic animal food
ORGANIC AND NATURAL TREND EXTENDS TO PET CARE PRODUCTS

Yarrah Organic Cat Litter by Yarrah Bio Petfood (Netherlands, 2010)
- Yarrah Bio has expanded into organic/bio cat litter in response to growing consumer demand for natural and organic products for pets

Imperial Care by Geohellas S.A (Greece, 2011)
- Natural, ultra compact clumping cat litter made of white clay. It is enriched with fresh baby powder scent which is released every time the cat uses the tray

Biogance by Laboratoire Biogance SA (Spain, 2010)
- Waterless shampoo for cats made of natural and organic ingredients. Free from paraben, colourant, and detergent. Dry shampoo for convenience
Pet owners are interested in BARF – biologically appropriate raw food

Example - Orijen Regional Red by Champion Petfoods marketed as offering biologically appropriate ingredient ratio (70% meat/30% fruit and vegetables/0% grain) and high quality natural, human-grade fresh ingredients

In 2011, Champion launches Acana Ranchlands, which is similar in credentials to Orijen and focuses on locally sourced ingredients.

Orijen and Acana launched in 2010 in Indonesia as “a food to nourish your pet as nature intended”; only available in pet specialist retailers

Indonesia’s premium dog food segment is very small (US$16 million in 2011) but expanding rapidly, at CAGR 22% over the 2006-2011

Premium dog food like Acana and Orijen meet the expectations of pet owners who exhibit their dogs in the increasingly popular pure-breed dog shows.
RISING PET OBESITY DRIVES DEMAND FOR WEIGHT MANAGEMENT FOOD

- Pet resemble their owners - as humans get fatter, their pets also get fatter!

- USA: In 2010, **58% of cats and 45% of dogs in the US are overweight**. This represented year-on-year increases of 5% and 2%, respectively (Source: American Society for the Prevention of Cruelty to Animals)

- UK: Pet obesity soared by 9% in 2008 alone, meaning that **an estimated 7 million pets in the UK are overweight** – that equates to **1 in 3 household pets** (Source: People’s Dispensary for Sick Animals)

Health and Financial Implications of Rising Pet Obesity

- Annual vets’ bill of **£1.5bn in the UK** (Source: Direct Line Pet Insurance Research, 2008)
Hill’s Science Diet Weight Loss System by Colgate Palmolive (USA)
- Launched in Jan 2011
- This line consists of individually wrapped pre-measured portions of food and treat.
- Available in two sizes: small and medium to large breed
- By taking the guesswork out of portion control, the Weight Loss System makes it easy for owners to help their pets lose weight

Price: Retail at US$63.99 for a starter kit for medium dogs containing 66 food packs and 60 treat packs
Distribution: Available through pet specialists and veterinary clinics
**PRODUCTS WITH FUNCTIONAL INGREDIENTS**

- **Purina One Actilea by Nestlé SA (Italy, 2010)**
  - Actilea is based on three active ingredients (prebiotics, antioxidants and yeast) and it claims to support the cat’s immune response and digestive system.

- **Royal Canin Veterinary Diet – Mobility by Mars Inc (Sweden, 2010)**
  - Dry formula for adult cats with or at risk of developing osteoarthritis; fortified with Joint Complex Plus from New Zealand green mussel and omega-3.

- **ProBiotic Live by Bacterfield International (Luxembourg, 2011)**
  - Dry dog food fortified with 10^9 live and highly concentrated probiotic bacteria for a healthy gut and strong immune system.

- **Whiskas Salmon Pockets by Thien An JSC (Mars Inc), (Vietnam, 2010)**
  - Premium dry cat food with taurine, Vitamin A, calcium, phosphorus, Omega 3 & 6.
OPPORTUNITIES BEYOND RETAIL

- Opportunities beyond retail and traditional services as the number of pet-friendly establishments and service is on the rise

- Travel advisory increasingly pay attention to pet friendly hotels and services (TripAdvisor and USA Today Top 10 Most Pet Friendly Hotels in 2011 in the US)

- Pet stations in pet-friendly shopping malls, hotels and spa
SUMMARY

**Products**
- Focus on premium in food, but there is room for value products
- Natural and sustainable (in all their variations and product categories)
- Convenience and functionality in pet care

**Looking beyond retail**
- Expanding array of pet friendly locations creates possibilities for suppliers of pet food and pet care
- Use of online sources and social network sites to identify underserved and growing niches

**Retail Distribution**
- Convenience shopping adds to competition as new retailers seek share of dollar spending in pet retail
- Opportunities exist in the development of exclusive brands and retail brands
THANK YOU FOR LISTENING

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