2011

ASSALCO
Associazione Nazionale Imprese per l'Alimentazione e la Cura degli Animali da Compagnia

ZOOMARK INTERNATIONAL

# ASSALCO – ZOOMARK 2011 REPORT
## PET FOOD AND PET CARE PRODUCTS

**In collaboration with**

A.N.M.V.I.
ASSOCIAZIONE NAZIONALE MEDICI VETERINARI ITALIANI

## Summary

## INTRODUCTION

The 2011 edition of the Report is the result of a partnership between ASSALCO - the Italian Association of Pet Food and Pet Care Companies - and Zoomark International, the international exhibition of products and accessories for pets. The document is published in cooperation with ANMVI, Italian National Veterinary Association, and has been written with the contribution of Adem Lab – University of Parma, on the basis of data provided by Symphony IRI, a leading market research firm.

As with previous editions, this important project was created with the intent to provide the press and the pet food and accessories industry operators with a general overview of the trends, the main tendencies and with the most recent tidbits from the Italian pet world.

The main goals can be summarized as follows: provide an overview of the economic performance of Italian pet market, showing the detailed trends of the various product segments and highlight how the relationship between man and pet has contributed to the development of the sector, through the presentation of insights on major trends and news associated with the role of pets in the household and society.

On the one hand, the market offers increasingly advanced food, accessories, medicines and services specifically designed for pets. On the other hand, survey and market data confirm the growth of a responsible attitude from pet owners and an increasing confidence towards industrial food, essential not only for a proper and balanced diet but also to protect the health of pets.



The ASSALCO - ZOOMARK Report 2011 thus presents to the public a market ever more oriented to the welfare and health of pets, attentive to their specific needs and to the role they play in households and society.

*Methodological Note:*
*Unless otherwise stated, data related to dog and cat food refer to the universe of Grocery (Hypermarkets + Supermarkets + Minimarkets + Discounters + Traditiona stores) and Pet shop channels, while other pet food, pet care and cat litter only refer to the Modern Grocery Distribution - MGD (Hypermarkets + Supermarkets + Minimarkets).*

# DOG AND CAT FOOD

## Market size and trends

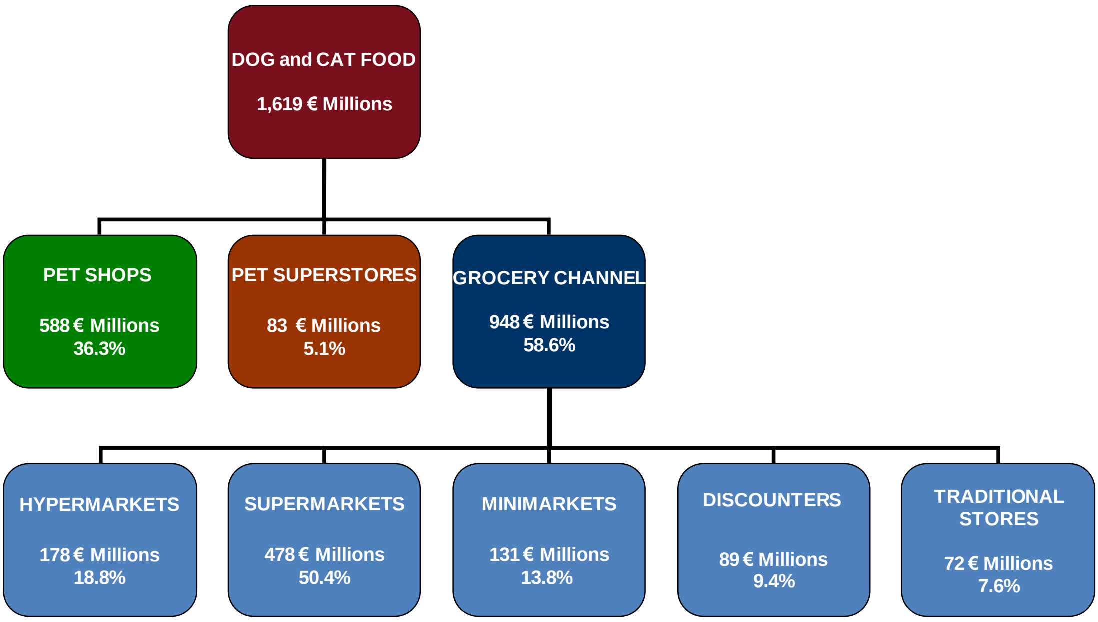
In 2010 the Italian market of pet food and pet care products continues to show a positive trend, although at a lower rate than in the recent past, due to a generalized consumer crisis. The information on the main segment, i.e. dog and cat food, show a growth of +2.2%, a positive signal for both the producers, and for the quality of life of pets in the Italian homes.

**In 2010 the market continues to grow (+2,2%) despite a difficult economic context**

On the major distribution channels as a whole (including Pet shops, Pet superstores and the Grocery channel), the Italian market of dog and cat food in 2010 exceeded 1.6 billion euro. Sales amounted to € 588 million in Pet shops and € 83 million in Pet superstores, while the Grocery channel (Hyper + Super + Mini[1] + Discounters + Traditional), with a turnover of 948 million €, is approaching a share of 60%.

**Dog and cat food: market structure per channel**

**Pet shops + Pet superstores + Grocery channel (Hyper+Super+Mini+Discounters+Traditional) • 2010**




Source: SymphonyIRI.



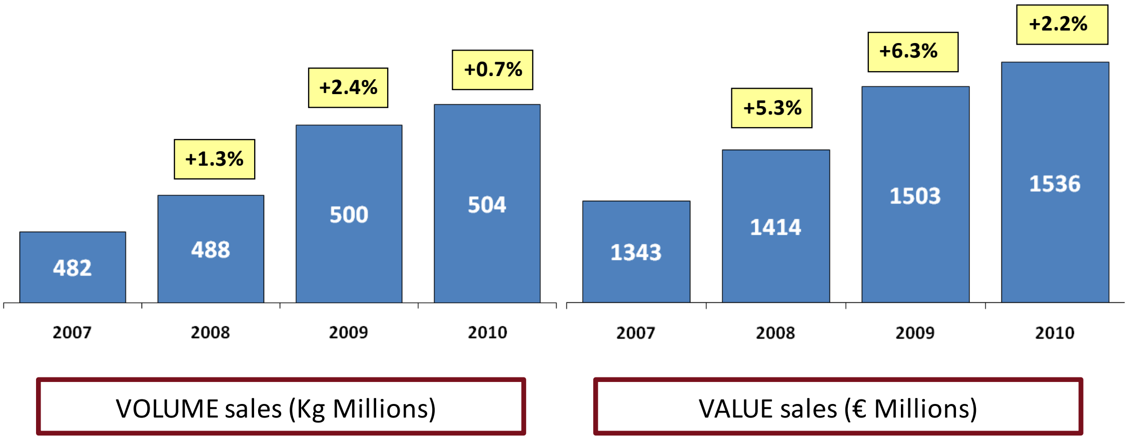
**The Italian market of dog and cat food is worth 1,6 billion euro**

Our analysis will focus on the Pet shop and Grocery channels, which together concentrate 94.9% of the dog and cat food market value in Italy, with a growth rate of 2.2% in value.

[1] Minimarket stores: 100 - 399 sqm.

## Dog and cat food: market size and trends

**Pet shops + Grocery channel (Hyper+Super+Mini+Discounters+Traditional)**




**The market grows mainly in value: +2.2% on Pet shop and Grocery channels together**

| | Pet shops | | | Grocery channel | | | TOT |
|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | % Growth 2010/09 | 2009 | 2010 | % Growth 2010/09 | % Growth 2010/09 |
| VOLUME sales in mio kg | 114.2 | 111.4 | -2.5% | 385.9 | 392.2 | +1.6% | +0.7% |
| VALUE sales in mio Euro | 584.5 | 588.3 | +0.6% | 918.1 | 948.1 | +3.3% | +2.2% |

Source: SymphonyIRI.



Sales of food for other pets in MGD[2] (Modern Grocery Distribution) show a slight decline, down 1.1% in value.

In the same channel, Pet care products (hygiene, games, accessories) do very well: +4.5% over 2009; less brilliant performance for cat litter, however still increasing at +3.7% in value.

**Pet care products, too, do well in the MGD: +4,5% in value**

[2] Data referred only to the 3 major modern store formats: Hypermarkets, Supermarkets, Minimarkets.

## The market of Pet food and care products

**Pet shops + Grocery channel (Hyper+Super+Mini+Discounters+Traditional) ● 2010 ● VALUE data**

| | *Value in million Euro* | *Value Share* | *Growth 2010/09* |
|---|---|---|---|
| DRY dog food | 358.5 | 23.3% | 0.0% |
| WET dog food | 268.7 | 17.5% | 2.9% |
| DRY cat food | 288.6 | 18.8% | 1.7% |
| WET cat food | 547.4 | 35.6% | 2.8% |
| snacks & treats (dog + cat) | 73.1 | 4.8% | 9.8% |
| **Tot dog and cat food** | **1,536.4** | **100%** | **2.2%** |
| other pet food - *Hyper+Super+Mini only* | 21.0 | - | -1.1% |
| pet care - *Hyper+Super+Mini only* | 59.2 | - | +4.5% |
| cat litter - *Hyper+Super+Mini only* | 62.9 | - | +3.7% |

Source: SymphonyIRI.

### The growth is driven by the Grocery channel



Similarly to 2009, in 2010 the Grocery channel showed a better performance than the Pet shop channel, both in value (+3.3% vs +0.6%) and volume (+1.6% vs -2.5%). The effects of increased price sensitivity developed by consumers since 2008 seem to impact more heavily on Pet shops.

However, the wider performance gap between value and volume for the Pet shop channel, shows a greater willingness of their customers to purchase high added value and superpremium products.

Another illustrative argument in this context is the ratio between value and volume share for the Grocery and Pet shop channels: dog and cat food sales share of Pet shops amounted to 22.1% in volume, but reached 38.3 % in value. This testifies to the peculiarity of the Pet shop format and highlights, when compared to the Grocery channel – covering as high as 78% of volumes, but only 61.7% of value - marked differences between products conveyed on each specific channel, in terms of characteristics, profitability and targets.

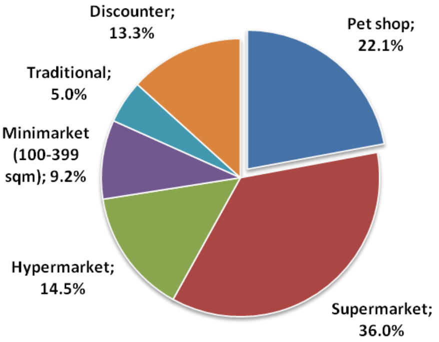
Volume shares of all store formats of the Grocery channel are higher than value shares. In particular, Supermarkets cover 36% of market volume and 31% of market value.

As a consequence, Pet shops, with about half of the number of stores of Supermarkets alone (4729 vs. 8950) exceed their value share by 7 percentage points.

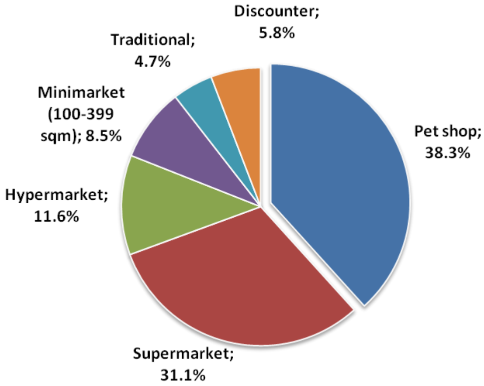
**The Grocery channel grows 3,3% in value and 1,6% in volume**

## Dog and cat food: channel / retail formats share

**Pet shops + Grocery channel (Hyper+Super+Mini+Discounters+Traditional) ● 2010**




VOLUME sales: 503,595 tonns




VALUE sales: 1,536.4 € millions

Source: SymphonyIRI.

**Pet shops exceed the value share of supermarkets by 7 percentage points**

**Good performance of the wet food sector; strong growth of snacks and treats continues**

Wet food dominates the cat food sector and is growing faster than dry food (+2.8% vs +1.7%) thanks to high quality gourmet recipes and single-serve formats.
Dry dog food exceeds wet dog food, but the latter has a more positive performance (+2.9% in value) while the sales of dry food remain substantially stable.
The performance of wet food is therefore positive for both the dog and cat sectors, reaching a market share of 53% in value.
The treats and snacks segment represents 4.8% of the total dog and cat food in 2010. Also, because of its relatively recent introduction in the Italian market compared with traditional pet food, it has shown great vitality (+9.8% in 2010 over 2009). Born mainly in relation to the concept of reward, and therefore addressed primarily to dogs (which remain the main recipients of the sector), snacks combine high palatability and original hedonistic and appealing features to encourage impulse purchase, a plus closely related to the evolution of the pet food category in general; e.g. biscuits and snacks formulated with ingredients -or integrated with supplements- providing specific benefits targeted at the health and wellness (such as oral hygiene, digestibility) are becoming increasingly popular.

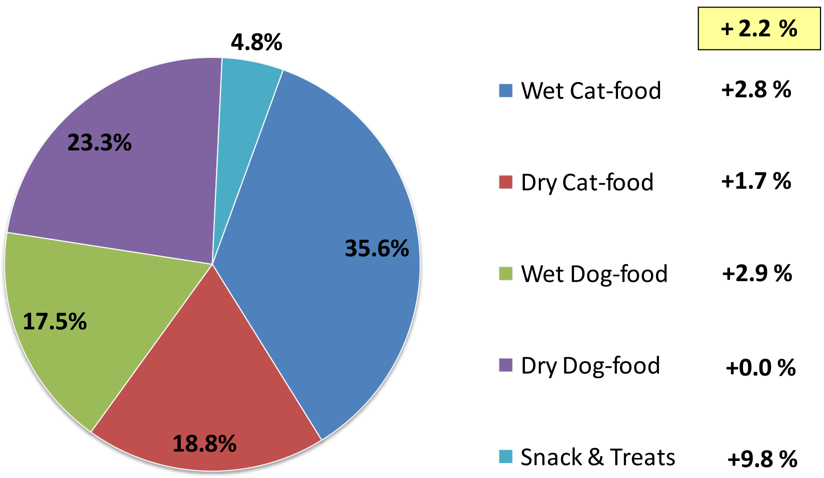


**36% of total sales in value comes from wet cat food**

**Dry dog food follows, with a 23% share**

## Dog and cat food: segment share and trends

**Pet shops + Grocery channel (Hyper+Super+Mini+Discounters+Traditional) ● 2010 ● VALUE data**




Source: SymphonyIRI.

All the different dog and cat food segments experience a higher growth in the Grocery channel than in Pet shops, with the only exception of wet dog food, growing 5.3% in value in the Pet shop channel and only 1.9% in the Grocery channel.
Pet shops still hold the largest share in the dry dog food sector, amounting to 66.5% in value, despite a 1% decline in sales this year, while the Grocery channel grew 2.1%.



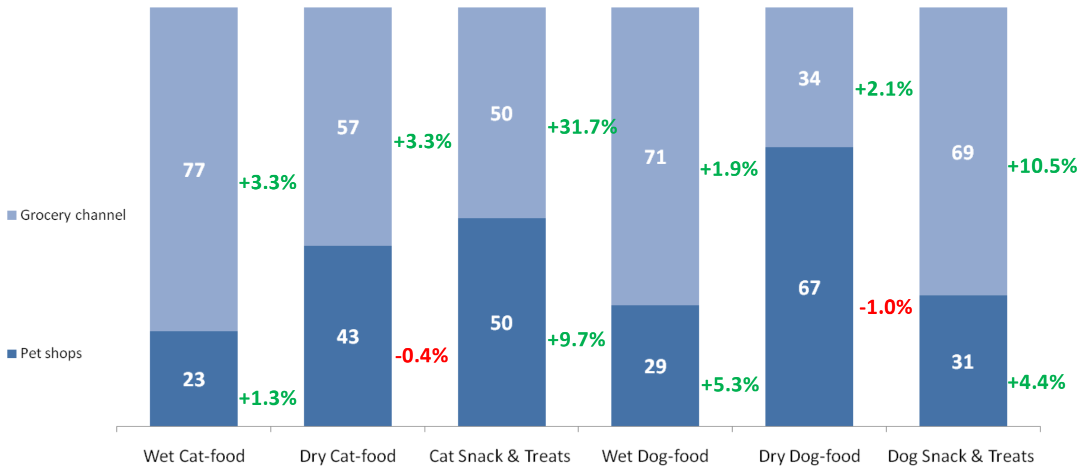
The growth of the snacks and treat segment is driven mainly by the Grocery channel: cat products, while still representing a small share, grow 31.7%, and dog products grow 10.5%.

**Only wet dog food grows more in Pet shops than in the Grocery channel**

## Dog and cat food: channel share and trends per segment

**Pet shops + Grocery channel (Hyper+Super+Mini+Discounters+Traditional) ● 2010 ● VALUE data**

| | | | | | | |
|---|---|---|---|---|---|---|
| **€ Millions** | **547.4** | **288.6** | **9.2** | **268.7** | **358.5** | **63.9** |



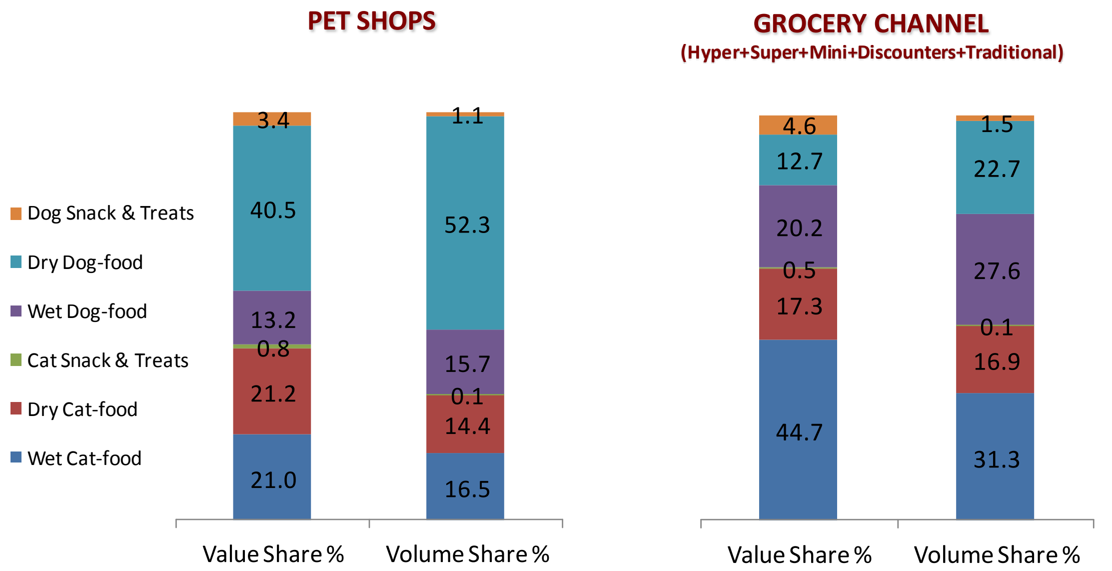

Source: SymphonyIRI.

## Dry dog food still dominates in the Pet shop channel, wet cat food in the Grocery channel

2010 data show that Pet shops preside the dry food segment better, representing over 60% sales in value, and the dog food segment (with a 57% share); in particular, over 40% of dog and cat food sales in the Pet shop channel originates from dry dog food.
In the Grocery channel a larger polarization is noted towards cat food, which originates 63% of total sales, and towards wet food, showing a market share of 65% in value. In particular, wet cat food alone develops nearly half of the total dog and cat food sales (44.7%).

### Dog and cat food: segment share and trends per channel

**2010**




| | | | | |
|---|---|---|---|---|
| Tot Catfood Market | **42.9** | **30.9** | **62.5** | **48.3** |
| Tot Dogfood Market | **57.1** | **69.1** | **37.5** | **51.7** |

Source: SymphonyIRI.

## In the modern channel, fhe trend of Minimarkets (100-399 sqm) is negative

In 2010, Supermarkets grew 3.6% in value and 1.1% in volume compared to 2009.
Positive performance also for Hypermarkets, with +3.3% in value despite a 0.4% decline in volumes.
On the other hand, the trend of Minimarkets is negative in both value (-0.9%) and, to an even greater extent, volume (-3.4%).
Overall, considering the-all three modern store formats (Hyper + Super + Mini), volume sales stagnate, while market value grows 2.7%.

**Hyper + Super + Mini grow 2.7% in value**

## Trays and pouches highlight positive trends

As for packaging, in the Pet shop channel classic formats are prevailing in both volume and value: dry food bags (64.5% share of overall value) and wet food cans (24.4% ). However, trays and pouches, still modest in absolute volumes, highlight positive trends (+5.5% and +11% respectively).

In the MGD (Hyper + Super + Mini), as already observed for Pet shops, bags and cans lead the market of dry and wet food, respectively. Their respective shares, however, reflect the different core business of channels: in the MGD, where wet food is the leading segment, cans prevail (41% volume and 35% value) against bags (37 % volume and 30% value). These are followed by trays and pouches, which are typical of the premium range, and whose value shares are higher than volume shares. Boxes have a fair presence in the MGD, while they are definitely residual in Pet shops. Interestingly, pouches show a consistent increase of 16% volume and 21% value, which emphasizes a growing presence of single-serve premium packages in this channel.

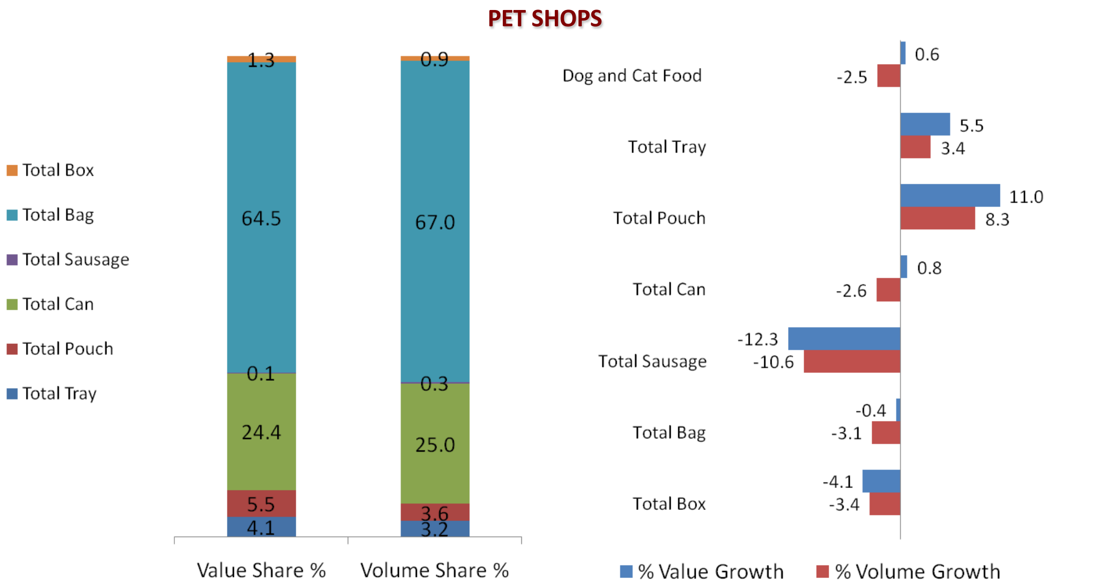
In the MGD, the only growing packages within the leading segment of wet cat food, are those offering the convenience of small portions (pouches and trays up to 120 grams), also ensuring that food is always served fresh.

This trend has led pouches to exceed the market share in value of cans up to 120 grams, albeit slightly (31% vs 30%).

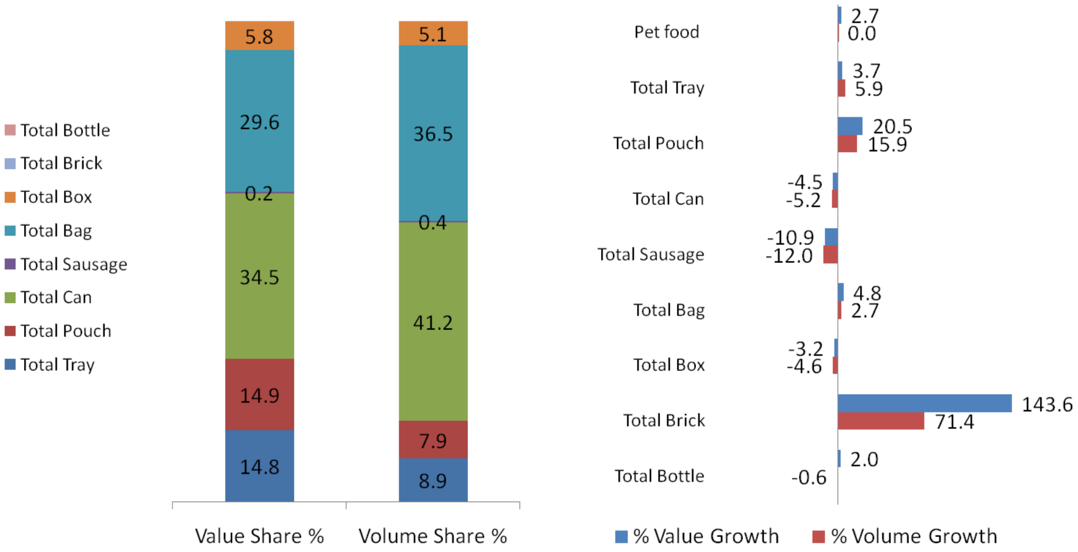
**Pouches: +11% and +21% in value in the Pet shop channel and MGD**



### Dog and cat food: market share and trends per package type
**2010**



HYPER + SUPER + MINI




Source: SymphonyIRI.

### Northern Italy accounts for more than half of the sales



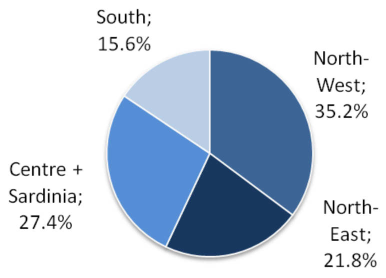
Taking market geography of Pet shops and MGD (Hyper + Super + Mini) into account, Northern Italy accounts for more than half of the sales (59% in value) and, in particular, North-West alone covers more than one third of the overall market value.

**The North-West proves itself as the main geographic area**

## Dog and cat food: market share per geographic area

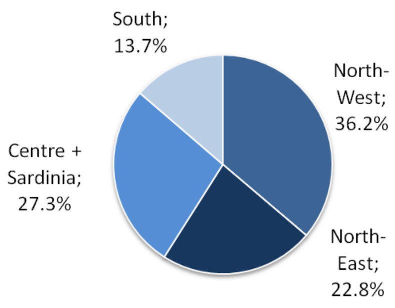
**Pet shops + Hyper + Super + Mini • 2010**

**VOLUME**




**VOLUME sales: 411,532,412 KG**

**VALUE**




**VALUE sales: 1,374,703,144 €**

Source: SymphonyIRI.

Central Italy and Sardinia cover 27.3% of market value, i.e. more than the North-East (22.8%).

The highest potential for development is in the South, representing 13.7% of dog and cat food sales in value, while the volume percentage rises to 15.6%.
Besides the obvious simplifications about social structures / family and a different approach to pet care, a persistent delay in the development of modern store formats in the South also plays a role in slowing down the transition towards the adoption of industrial pet food.
A different degree of retail modernization probably also explains the different shares of geographic areas over total sales of Pet shops and MGD:

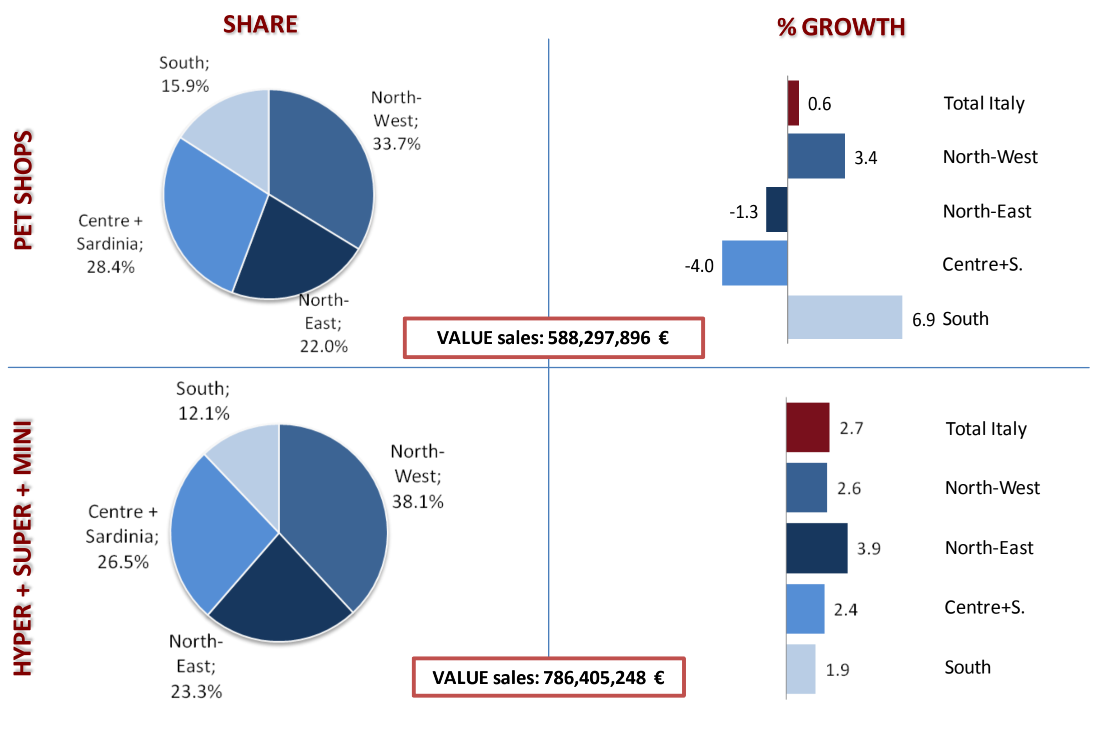
- The share of the South on Pet shop sales stood at 16% in value, and dropped at 12% in the MGD;
- The North-West originates 38% of sales of the MGD, compared with 34% sales of the Pet shop channel.

The two channels therefore share the southern market almost evenly, while 60% of sales in the North-West is traded through the MGD.

The growth in value of the MGD affects all geographic areas, but is more pronounced in the North-East (+3.9%), where the concurrent sales' decline of Pet shops, leads to speculate a migration of purchases to a different channel.
On the other hand, the growth of the MGD in the South is slower (+1.9%), while Pet shop sales are clearly growing (+6.9%).

## Dog and cat food: market share and trends per geographic area

**2010 ● VALUE data**




Source: SymphonyIRI.

**Pet shops grow 6.9% in the South**

**Pet superstores and Supermarkets expand their product range**

Innovate to grow is the watchword in the pet food market, which by analogy with human food, is evolving towards three emerging macro trends: science, nature, taste. Science is applied to researching functional and advanced products from a nutritional point of view; nature is represented by the research of products that offer superior nutrition naturally; taste in terms of increasingly refined and sophisticated recipes. Constant attention is devoted to the quality of ingredients, as well as to the convenience and functional aspects of packaging in order to provide a higher level of service.

In the last year, Pet superstores and, to a lesser extent, Supermarkets increased the number of new entries of dog and cat food items, while the average number of products per store is decreasing in Hypermarkets (-2.4 references) and especially in the Pet shops (-10.4).

Pet superstores, with their 1390 products, offer the wider range, exceeding Pet shops by 426 references, while the latter globally exceed Hypermarkets - which have the largest range among the modern store formats - by a total of 561 items.

It is worth noting that the new entries in Pet superstores involve all dog and cat food segments and, in particular, wet cat food (+33.9 references) and dry dog food (+23.0 references), while in Pet shops the wet cat food segment is expanding (+10.6 references), against a rationalization of dry dog food assortment (-21.9).

Pet shops, traditionally strong in the dry food, appear to be searching for new value with variations and product range extensions in the wet food sector.

**On average, a Petshop offers over twice as many items than a hypermarket**



## Dog and cat food: assortment per channel / retail format

**November - December 2010 • 9 weeks ending January 2nd, 2011**

| | HYPERMARKETS | | SUPERMARKETS | | PET SHOPS | | PET SUPERSTORES | |
|---|---|---|---|---|---|---|---|---|
| | Average Items per Store | Num. of items, variation 2010/09 | Average Items per Store | Num. of items, variation 2010/09 | Average Items per Store | Num. of items, variation 2010/09 | Average Items per Store | Num. of items, variation 2010/09 |
| **Dog and Cat Food** | **403.6** | **-2.4** | **185.5** | **6.1** | **964.5** | **-10.4** | **1,390.7** | **105.3** |
| Wet Cat-food | 165.3 | -0.8 | 81.7 | 1.9 | 337.4 | 10.6 | 511.8 | 33.9 |
| Dry Cat-food | 61.0 | -1.1 | 28.1 | 1.3 | 167.4 | -3.4 | 233.0 | 16.2 |
| Cat Snack & Treats | 9.7 | 2.0 | 4.1 | 0.9 | 18.7 | 1.7 | 36.9 | 4.0 |
| Wet Dog-food | 69.0 | -0.1 | 36.5 | 0.5 | 169.4 | 1.7 | 227.4 | 19.8 |
| Dry Dog-food | 53.6 | -1.9 | 20.2 | 0.6 | 208.3 | -21.9 | 257.3 | 23.0 |
| Dog Snack & Treats | 45.2 | -0.8 | 17.1 | 1.1 | 65.4 | 1.6 | 124.3 | 8.4 |

Source: SymphonyIRI.

## OTHER PET FOOD

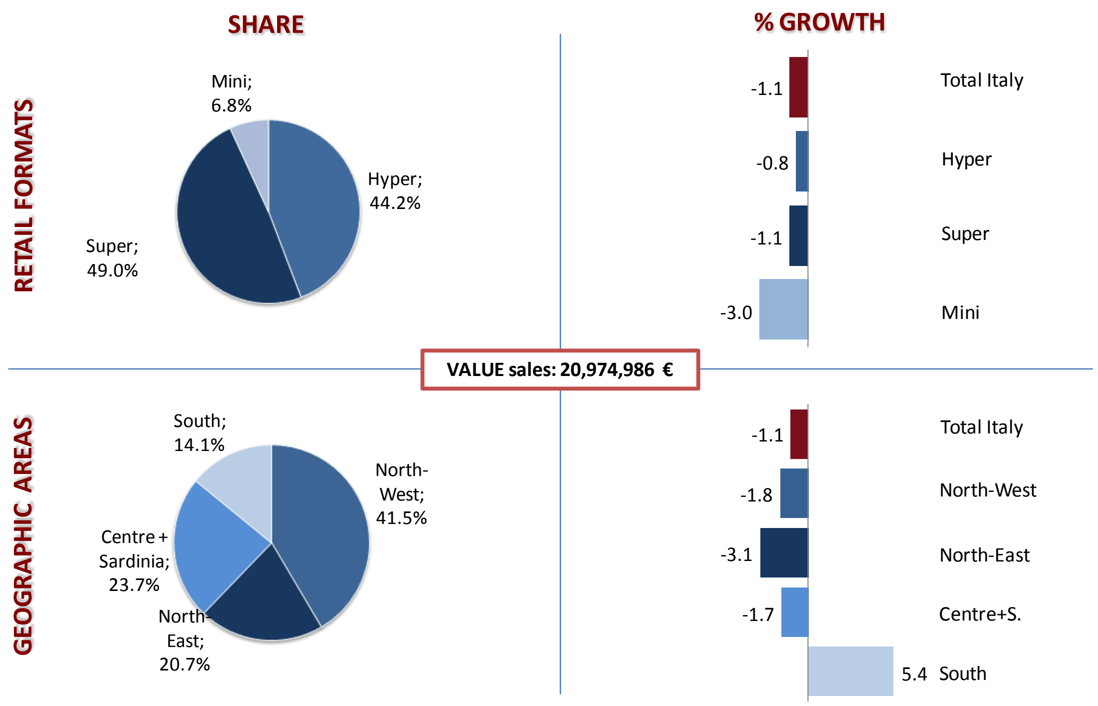
Sales of food for other pets, detected only in the MGD (Hypermarkets, Supermarkets and Minimarkets) in 2010 accounted for € 21 million and 3.9 million kg, a 1.1% drop in value and 4% in volume.
About 50% of sales value passes through Supermarkets, and Hypermarkets account for 44%, while Minimarkets have a modest market share (6.8%). Clearly, the size of sales areas of store formats affects the importance that each product segment is assigned.
A different degree of development between northern and southern regions also persists in this segment, with 62% of value sales produced in the North-West and North-East. Nevertheless, the South has a higher share in this segment than in the dog and cat food segment, and value share is higher than volume share (14% vs 13%). Moreover, the South is the only geographical area where sales grow during the year (+5.4% in value).

**The sector loses 4% in volume, but limits the drop in value (-1.1%); good growth in the South (+5.4%)**



### Other pet food: market share and trends per retail format and geographic area

**Hyper + Super + Mini ● 2010 ● VALUE data**

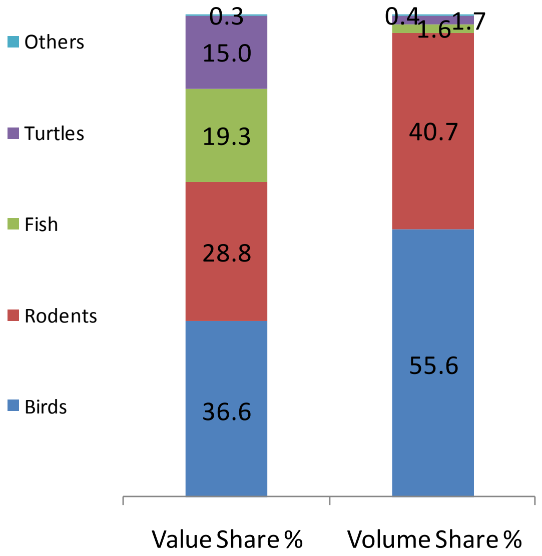


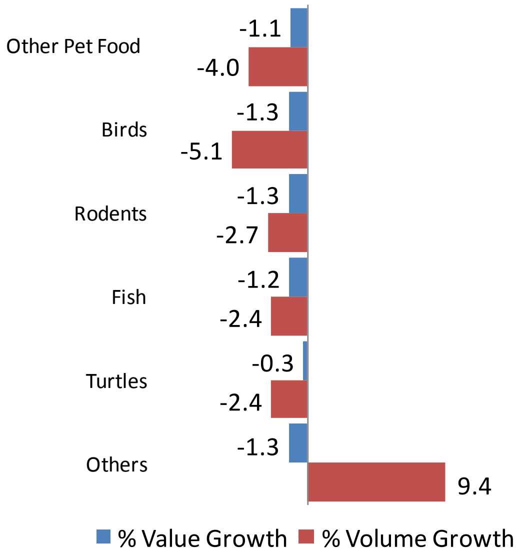

Source: SymphonyIRI.

The largest shares in value are the prerogative of birdseed (37%) and food for rodents (29%), reaching together 96% in volume.
Fish and turtles, although with small volume shares (approximately 1.6 / 1.7%), originate 19% and 15% of value sales, respectively.

### Other pet food: market share and trends per segment

**Hyper + Super + Mini ● 2010**




Source: SymphonyIRI.

## CAT LITTER

Cat litter in the MGD (Hyper + Super + Mini) was worth just under 63 million euro in 2010, growing 3.7% over the previous year.

Hypermarkets show the best performance (+5.8% in value), translating into a share of 24% in value. Supermarkets grow more slowly (+3.9% in value), but is worth more overall, with a 60% share in value. Overall growth is slowed down by Minimarkets, covering 15.6% in value, stable (-0.1%) over the previous year.

In all retail formats, the product range was expanded in 2010 with new items, especially in the space saving compact packages below 5 kg.

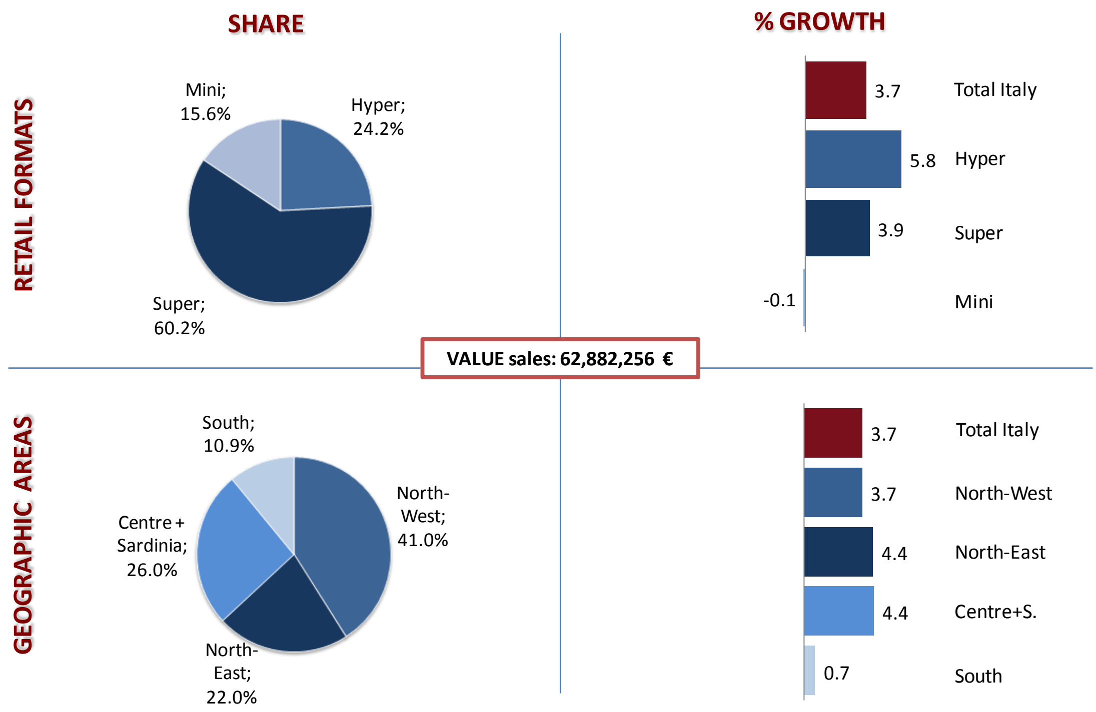
North-South differences remains even in this sector, with North-West and North-East reaching 63% of overall value sales. The North-East, together with the Centre + Sardinia, highlights the strongest growth in value (+4.4%), while the South with a 0.7% rise originates 11% of total sales.

**The sector grew 3.7% in value; good performance for hypers (+5.8%)**



### Cat litter: market share and trends per retail format and geographic area

**Hyper + Super + Mini ● 2010 ● VALUE data**




Source: SymphonyIRI.

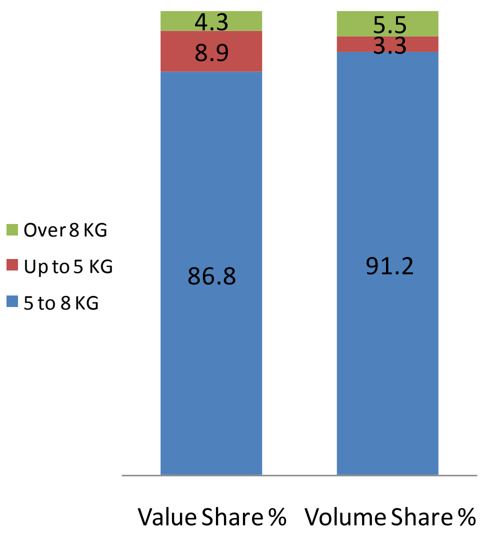
Classic packages between 5 and 8 kg dominate the segment with a volume share of 91% and a value share of 87%.

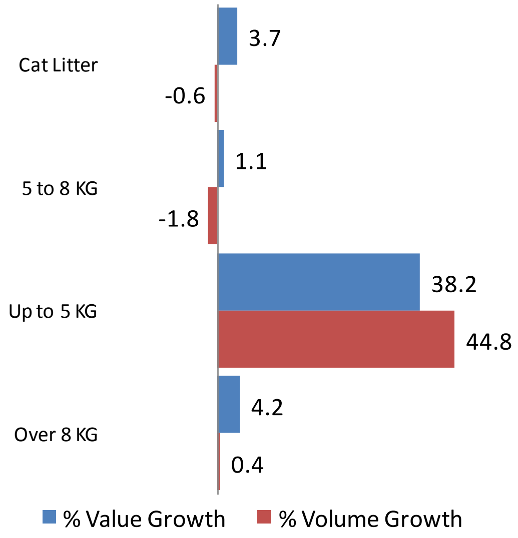
However, the best performance is achieved by space saving compact packages up to 5 kg, typical of premium products, with a minor volume share of 3.3% and 9% value of overall segment sales, but growing strongly at +44.8% in volume and +38.2% in value. Value / large formats (over 8 kg) are also essentially positive, with a +4.2% in value.

**5-8 kg packages dominate the segment; up to 5 kg have the higher growth**

## Cat litter: market share and trends per segment

**Hyper + Super + Mini ● 2010**




Source: SymphonyIRI.

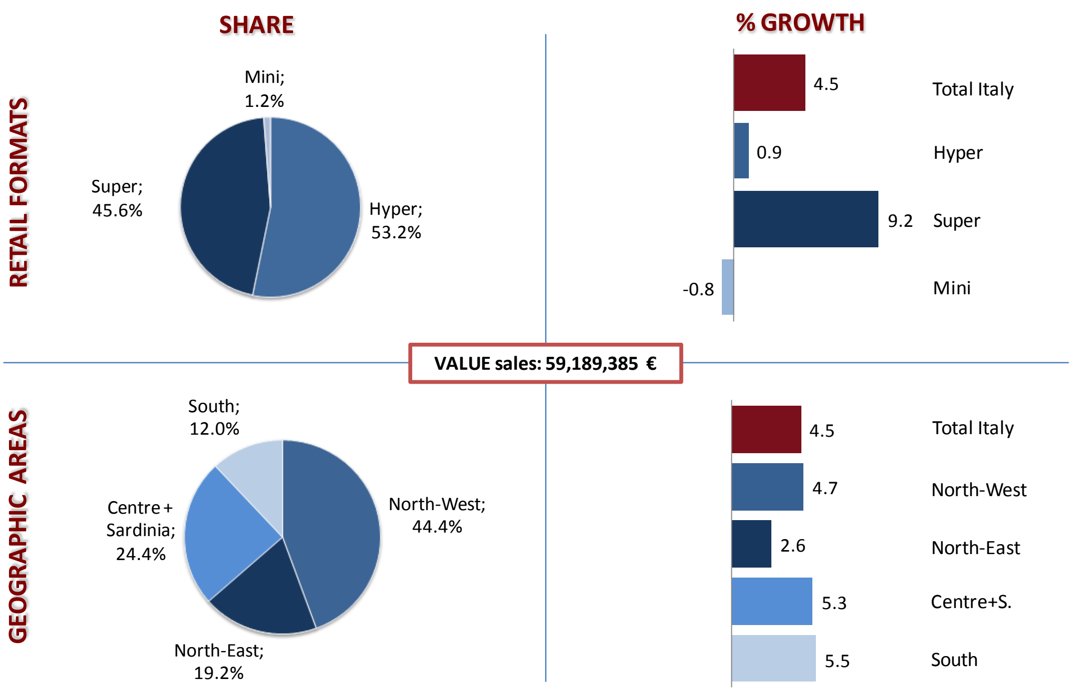
## PET CARE

Pet care products in the MGD (Hyper + Super + Minimarkets) in 2010 are worth about 59 million euro, growing 4.5% over previous year.
Hypermarkets and Supermarkets have a volume share substantially aligned, while the volumes traded by smaller stores are residual.
As expected, value is higher for Hypermarkets, which thanks to the availability of larger display areas can enrich the basic product range with different items, increasing profitability.
However, in 2010, Supermarkets show the best performance (+9.2% in value) and expand their range by introducing new products.
The North West alone develops almost half of the overall sales value (44,4%), while the South and the Centre + Sardinia highlight the strongest growth (+5.5% and +5.3% in value, respectively).

**Hyper and Super cover 99% of market**



**Pet care: market share and trends per retail format and geographic area**
**Hyper + Super + Mini ● 2010 ● VALUE data**



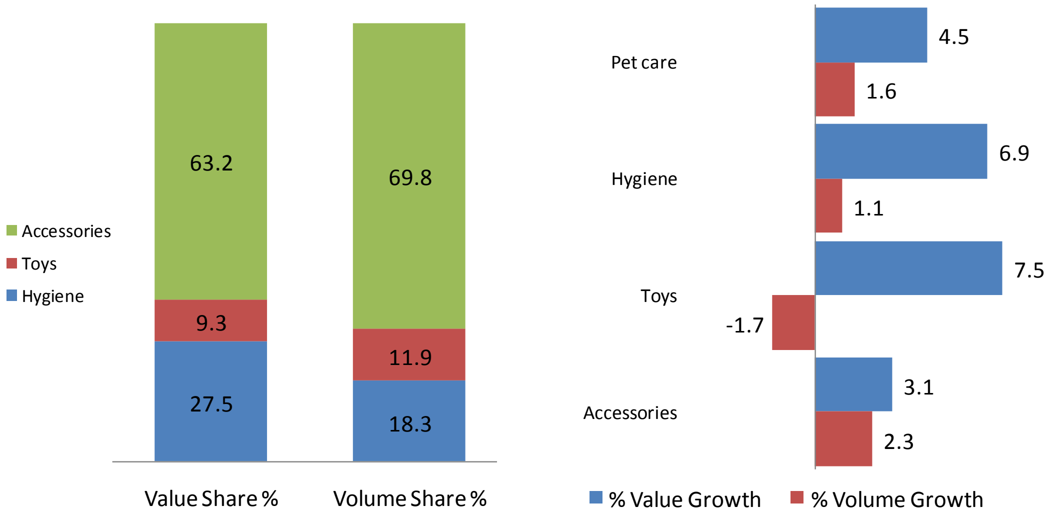

Source: SymphonyIRI.

The Pet toys segment has a very positive growth of +7.5%, albeit with a limited 9.3% share.
The largest shares belong to the hygiene (27.5%) and Pet accessories (63.2%) segments.
The latter, mostly durable goods, whose purchase may perhaps be postponed, grow more moderately at +3.1% in value.

**The Pet care sector grows, toys and hygiene in particular**

## Pet care: market share and trends per segment

**Hyper + Super + Mini ● 2010**




Source: SymphonyIRI.

## PRIVATE LABELS IN THE PET CARE DEPARTMENT OF HYPERMARKETS AND SUPERMARKETS

Private Labels[3] obtain a good result in the pet care category, gaining a share over 21%, compared to a total reported FMCG market share of 15.4%.
In terms of increased sales generated, the performance of the private label in the department is positive, with value trend (+6.1%) higher than volume trend (+4.5%), showing that private label offering experienced a valorization in 2010.
In terms of geographic areas, the best performance in terms of private label sales growth in 2010 was achieved in the South and Centre + Sardinia.
While historically private labels in the pet care carved out an important role in those segments where producers were unable or unwilling to innovate and where products are largely undifferentiated, they progressively expanded their offering, proposing single serve packages, and raising product quality.

**21,7% is the share in value of private labels in the Pet care department of Hyper and Super**

### Evolution of pet care private label sales per geographic area

**% sales growth year ending aug 2010/2009● Hypermaket + Supermarket**

| | North West | North East | Centre + Sardinia | South | Total Italy |
|---|---|---|---|---|---|
| Value | +3.4 | +5.1 | +8.7 | +9.2 | +6.1 |
| Volume | +1.1 | +1.0 | +9.7 | +9.9 | +4.5 |

Source: SymphonyIRI.



[3] By Private Label we identify the products carrying the retailer’s own brand.

## ITALIAN HOUSEHOLDS AND PETS

### Pet population in Italy

In our country, as a matter of fact, more than one Italian household in three lives with a pet. According to Eurispes data, Italians hosting a pet at home are 41.7% of the population. Families in Italy are about 24.6 million, hence more than 10 million Italian homes house a pet. In many cases this is one pet (29.8% of cases), but there are situations where more than one specimen of the same or different species live together (about 11.9% of homes). Among those who own more than one pet, the highest percentages of respondents claim to keep at home two (30.9%) to three (13%) pets.

**41% of Italian households have a pet**

Almost half of pet owners (48.4%), keep a dog at home, while in one third of cases (33.4%), the little friend is a cat. Fish or turtles are indicated in 4.9% and 4.7% of cases, while birds (4.1%), rabbits (2.1%), hamsters (1.6%) and reptiles (0.8%) are much less present in the homes of Italians.

According to official data from the Anagrafe Canina (canine Register) of the Department of Health, there are currently 6.2 million dogs registered in Italy. Unfortunately, this figure is partly underestimated because the habit of not microchipping dogs is still widespread, a habit not only illegal but also very harmful for the security of both pets and the community, as it is essential to trace the owner in case of theft or loss.
Euromonitor data counts about 7 million dogs in Italy, a stable figure for some years now. For cats, the count is more complex, since there is no obligatory enrollment to any register. However, estimates talk of 7.4 million cats found in Italian households.



Regarding all other pets, rabbits statistically follow dogs and cats in third place, with 2 million units, followed by one million freshwater turtles, 500,000 rodents, 50,000 iguanas, 10,000 snakes and about 500,000 other exotic animals (in the original meaning of the word). But the largest number of specimens is estimated for birds and fish, due to the habit to host usually more than one: as many as 13 million birds are estimated to live in Italian homes, and nearly 30 million fish.

**THE NUMBERS**
**10** Million households hosting a pet
**7** Million dogs
**7,4** Million cats
**2** Million rabbits
**1** Million freshwater turtles
**30** Million fish
**13** Million birds

**Introduction of pets in the households**

A survey that SWG carried out for AISAD[4] in 2010 shows that pets become part of the family in different ways, according to the pet type.
The basic channel for small mammals is the specialized shop – the channel where they can be more easily bought, given there is no sound network of shelters for those pets – though about one out of five is offered as a gift.
Unofficial channels are prevailing for cats: they usually become family members as gifts (43%) or as rescued from the street (45%); the purchase in specialized shops or even more from breeders is rather marginal.
Dogs become part of the families in different ways: about 1/3 <one third> as a gift, and about one out of five is bought from a breeder or a shop, or is adopted (stray dogs or dogs living in shelters/refuges).
According to the research, the analysis of the ways in how pets become family members requires some consideration about the reasons that drive the choice of pet: if for dogs elements like breed, purity of breed, pedigree are important for the owner and drive him to a specific channel for his choice, for cats this concept is quite marginal.

**The basic channel for small pets is the specialized shop**



## Introduction of pets in the households

**% data – multiple answers allowed**

| Your Pets were: | Dog | Cat | Small pets, fish, birds |
|---|---|---|---|
| Bought in a specialised shop | 20 | 12 | 73 |
| Bought from a breeder | 23 | 6 | 12 |
| Bought on the net | 5 | 3 | 2 |
| Received as a gift from relatives or friends | 35 | 43 | 22 |
| Adopted or found by chance | 20 | 45 | 5 |
| Adopted from a shelter/refuge | 16 | 9 | 3 |
| No answer | 0 | 0 | 1 |

Source: AISAD.

[4] Source: AISAD, Canali e modalità di acquisto degli animali domestici da compagnia, October 2010 (survey carried out by SWG).

## Pet food diffusion in Italian households

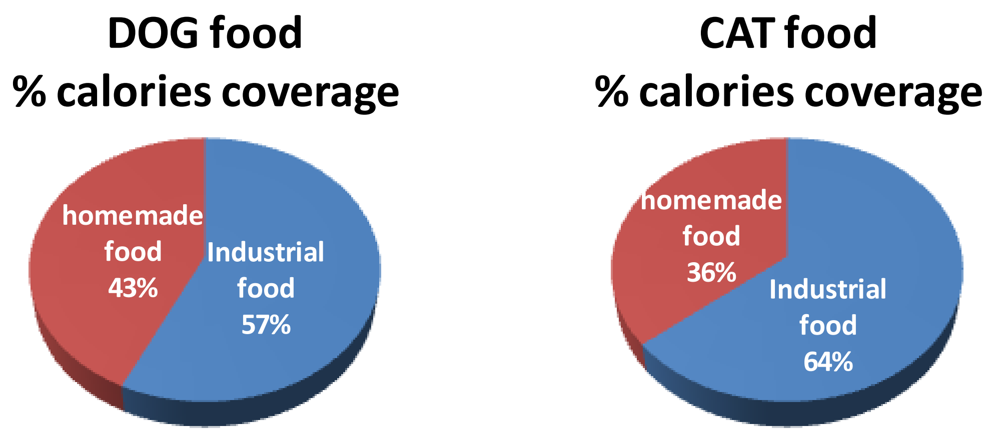
The penetration rate of pet food, i.e. the rate of calories from industrial food compared to home prepared food, in Italy stood at 57% for dogs and 64% for cats[5]. Compared to other Western European markets, where the average coverage rate of calories from industrial food has reached about 80% since years ago, Italy has therefore still considerable room for growth, which makes it an attractive market for pet food manufacturers.
In recent years the use of pet food rather than home-made preparations is gradually increasing: in 2004 the calorific coverage rate was 52% for dogs and 60% for cats.
The widespread use of pet food comes from:

**Pet food penetration rate: 57% for dogs and 64% for cats**

» Growing awareness of the importance of a balanced and proper nutrition for the health and welfare of their pets.

» Increased confidence in industrial preparations, which ensure complete and proper balance of nutrients, as opposed to home preparations, not ensuring the proper intake of all nutrients required, or worse, to kitchen leftovers, which in the long run can be harmful for the health of pets.

» Lesser time available to prepare meals for both the family and pets, which promotes the use of ready meals.




Source: Euromonitor.



## Families purchasing dog and cat food

The GfK consumer panel indicates that about 8.3 million Italian households have generated at least one purchase of pet food in 2010.
Out of these, 44% purchase both dog and cat food, 31% purchase only cat-food, and 25% only dog-food.
In terms of segmentation, Buyer families reside in the north of the country (58% on average), have an average socio-economic profile (31%), consist of 3-4 members (46%), while the buying decision maker is between 35 and 54 years old (47%).
Relative to the universe of italian families, buyer families are less represented:

**8.3 million Italian households have purchased pet food in 2010**

» in the South;

[5] Euromonitor data.

» in low and mid-low socio-economic classes;

» in families with only one member;

» in families where the decision maker is over 64 years old.

## Socio-demographic consumption profiles of families purchasing dog and cat food

**% distribution Italian families and purchasers per area, socio-economic level, component number, decision maker age● 2010**

| | Italian Families | Families purchasing WET CAT food | Families purchasing DRY CAT food | Families purchasing WET DOG food | Families purchasing DRY DOG food |
|---|---|---|---|---|---|
| North West | 28.5 | 31.2 | 31.7 | 30.4 | 33.3 |
| North East | 19.7 | 29.2 | 28.4 | 23.4 | 25.6 |
| Centre | 19.7 | 19.0 | 18.7 | 21.4 | 19.8 |
| South + Islands | 32.0 | 20.6 | 21.1 | 24.8 | 21.4 |
| High class | 15.0 | 18.0 | 16.4 | 17.5 | 17.1 |
| Mid-high class | 20.0 | 22.4 | 23.2 | 20.9 | 21.9 |
| Middle class | 30.0 | 29.8 | 30.3 | 32.5 | 31.7 |
| Mid-low class | 20.0 | 18.5 | 18.4 | 16.9 | 17.1 |
| Low class | 15.0 | 11.4 | 11.6 | 12.1 | 12.2 |
| Single member | 26.6 | 19.3 | 19.4 | 16.8 | 15.7 |
| 2 members | 27.6 | 30.1 | 29.8 | 27.7 | 30.3 |
| 3-4 members | 39.8 | 44.4 | 44.3 | 47.3 | 46.2 |
| 5+ members | 6.0 | 6.2 | 6.5 | 8.3 | 7.8 |
| Decision Maker < 34yo | 13.3 | 13.8 | 12.9 | 14.3 | 12.9 |
| Decision Maker 35-44 yo | 21.1 | 26.3 | 25.5 | 24.4 | 23.9 |
| Decision Maker 45-54 yo | 18.5 | 21.1 | 22.1 | 20.9 | 23 |
| Decision Maker 55-64 yo | 16.8 | 17.4 | 17.5 | 19 | 19.7 |
| Decision Maker > 64 yo | 30.4 | 21.5 | 22.1 | 21.4 | 20.4 |

Source: GfK Eurisko.



### The role of veterinarian consultancy

**The veterinarian is a consultant on "A to Z" aspects of a pet's life**

The role of veterinarians in the perception of pet owners has changed considerably in recent years, especially in the North: no longer seen only as a doctor to to turn to in case of emergency, as a "lifesaving", but more and more consulted on a regular basis to ensure the health of the pet throughout his life.
According to a survey carried out by ANMVI[6] - the Italian Association of Veterinarians -, asking for veterinarian's advice on "A to Z" aspects of a pet's life is shared by all socio-demographic targets, with a statistically higher level of uniformity compared to three years ago (2007).
Older people, usually alone, less educated, still tend to strictly identify the role of the veterinary with health care aspects, but at the same time, they tend to consult him/her more often than others for advice on health and well-being in general.
The main argument about which the Italians state to consult a veterinarian is, of course, pet health and wellness, indicated by 75% of respondents, followed by the choice of pesticides, 46.2%, always with a view to preventing and safeguarding the health of the pet. In third place come the requests for advice on choosing the most suitable pet food, as indicated by 45% of customers.

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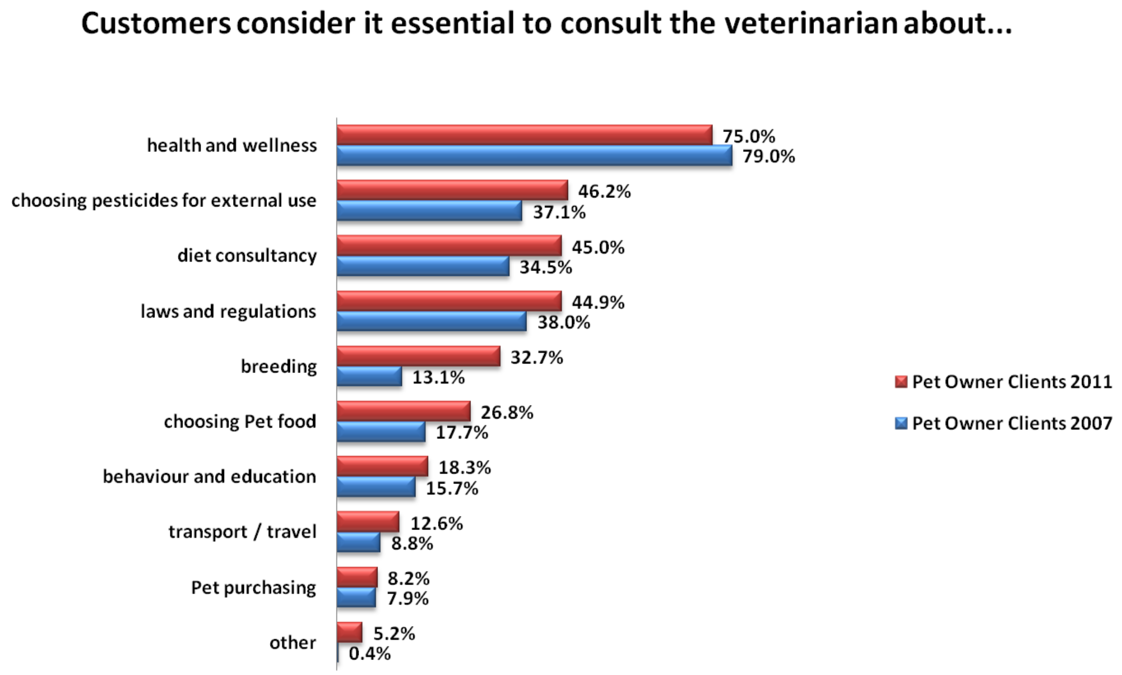
[6] Survey by ANMVI in collaboration with SIMV (Società Italiana in Management Veterinaria) and ASSALCO.

According to the ANMVI survey, 85.6% of clients consult veterinarians for problems related to pet feeding. The growing attention to choosing an appropriate nutrition for pets derives from the awareness of the importance of a correct nutrition to ensure the health and welfare of pets, just as with humans.
The share of pet food users among the clients of veterinarians is increasing compared to 2007.
The use of home-prepared food, risky as they cannot guarantee a balanced supply of nutritional elements, drops in the two areas where it previously maintained higher levels: the North East and the South.
The survey shows that the presence of a trusted professional increases the tendency to choose a diet focused on each specific pet characteristics and needs.

**85.6% of clients consult veterinarians for problems related to pet feeding**

## The role of veterinarian consultancy

**Base: Total clients, multiple answers**




Source: ANMVI.

**Benefits of pets**

Interacting with a pet is good for people. Thought of as common knowledge, this statement has recently received important scientific confirmation, through studies that show how the company of a pet can benefit health, mood and the social life of a human being.
The numerous benefits that a relationship with a pet can bring can be summarized as follows[7]:

**The company of a pet can benefit health, mood and the social life of a human being**

- Physiological benefits: several studies have shown the positive effect of the presence of a pet especially on controlling stress and pressure levels: for example, stroking a pet, brushing and taking care of him are activities that lead to a state of mental and physical relaxation, as proved by a lowering of blood pressure and heart rate.
- Psychological benefits: living with a pet has a positive influence on a person's quality of life; pets, with their attitudes stimulate smiling and play, with their need for care and attention they mark the time of the day and encourage physical activity, assign responsibility and return unconditional affection, reduce isolation, loneliness and apathy.
- Social benefits: the pet opens communication channels and creates cohesion, both in family and society. The effect is very clear with dogs, but not only: cats, ferrets, fish, rabbits become a topic for dialogue and socialization, even among strangers.



**Benefits of pets on health**

The effects of stress and anxiety on the cardiovascular damage are well known, and domestic animals help to fight them in many ways: with the mere fact of being always ready to show affection and loyalty, with their desire to be in company of the owner, letting him/her feel important, with the relaxing pleasure of physical contact during games and caresses.
Caressing an animal causes, among other positive effects, physical and mental relaxation that generates a drop in blood pressure, reduces hypertension and heart attack risks. More generally, according to researchers, pets have a positive effect in the presence of common health problems such as colds, headaches, back pain and insomnia. In addition, they increase the self-esteem level and psychological wellness of the owner.

**Pets help fighting stress and cardiovascular diseases**

In particular, the cat proves a powerful ally in fighting stress, mood disorders, cardiovascular disease and even Alzheimer's. According to recent research of Fauna Communications Research Institute in Hillsborough, cats purring help reduce stress. Spending time with your cat provides an immediate sense of relaxation and an improvement of mood: an effective cure, thus, even against psychosomatic illness and behavioral disorders in general.
Living with a cat reduces the risk of heart attack by at least one third, as shown by research conducted for over 10 years on 4 thousand U.S. citizens from the University of Minnesota. Data from a large health study conducted by the U.S. government in the 80s was analyzed, isolating 4 000 subjects between 30 and 75 years old, of which 2 thousand had a cat at home while 2 thousand did not. Analyzing the causes of death in the following 10 years, showed that the probability of subjects studied to have a heart attack was 30% lower in

[7] Michael McCulloch, director of Pine Street Foundation and founder of Delta Society (from www.lachiavenelgioco.com).

those who had a cat. The study included cats, but scientists say the effect is the same for dogs.
Japanese researchers of the Azubah University even showed that living with a pet induces the production of oxytocin, also known as love hormone. Research conducted in 2008 on 55 dog owners revealed that, after playing an hour and a half with the four-legged friend, hormone levels increase by 20%, thus confirming the theory that pets stimulate positive feelings.

**Playing with a pet increases the level of oxytocin, the love hormone**

Researches carried out on hospitalized children showed that the joy and the curiosity expressed by the children during the meetings with animals relieves the burden of disease, thus improving their quality of life. The same is true for the elderly in nursing homes, where it was observed that the periods of cohabitation with animals correspond to an increase of good humor and an improved general fitness.
A further benefit to children's health is a reduction of the risk of childhood allergies. This was revealed by a study of the German National Research Center for Environmental Health of Monaco which monitored about 9,000 children for a period of six years. It was observed that the contact with an animal makes the immune system of children less sensitive, thus reducing the risk of developing allergies. There were substantial reductions in cases of asthma, eczema and hay fever in children who lived with an animal.
The many benefits of pets for physical health and psychological balance also bring results of practical nature: it is statistically proven that people with pets have better health than those who do not have pets, and have fewer medical examinations: 15% to 20% less.
A study performed on the occasion of the 10th International Conference on Human-Animal Interactions on data gathered annually in Germany (about 10,000 people since 1984) and Australia (1,450 persons from 1996 to 2001), it is clear that pet owners have a better health. The population was divided into three categories: pet owners for over five years, owners for less than five years, and non- (or no longer) owners. The results confirm that the group that benefited from better health was the one of owners for more than five years.



The natural "healing" ability of our pet friends has long been exploited in the medical field: in Italy pet therapy is recognized as an official remedy since 2003, and the structures are increasingly engaging in this type of therapy. The pet that most helps people in times of difficulty is the dog, followed by the horse, also used for treatments for the disabled, the cat and finally, other small animals, like fish, canaries, hamsters, birds and turtles.

**Pet owners have better health**

**Benefits of dogs on health and fitness**

Going out every day with your dog is a balanced and healthy physical activity. Typically, this happens three or four times a day, and each outing lasts for at least ten minutes: all things considered, your physical activity is double than that of a typical gym member.

**Walking with your dog helps to keep fitness**

A research study carried out by Michigan State University investigates this aspect. The study, published in the International Journal of Behavioral Nutrition and Physical Activity, focused on the habits of 5,900 people, 2,170 of whom own a dog. It was found that a dog owner moves an average half an hour a day, five days a week, while only one third of respondents who do not own a pet performs a similar physical exercise. We do not mean a high level exercise, but simply walking at a normal pace: in this way you can mix business with pleasure.
Dog owners are generally more active and willingly devoted to sport and gardening. A pet can help overcome laziness and ensures regular physical activity.
But not only. The presence of a dog, as told by the Italian Association of Pet Therapy, is also useful because it lowers the heart rate and breathing slows down, relieve stress and hypertension. It is recommended especially for older people with hypertension and post

myocardial infarction as it keeps them constantly on the move. Research by the University of Missouri found that older people who were walking with their dogs improved their mobility by 28% compared to 4% observed when the walking companion was a human being. The elderly owning a dog tend to withdraw less into themselves and need to go out every day and get in touch with other people (at the park, the veterinarian or even a simple walk) thus keeping their physical and mental capacity active.

**For the elderly, having a dog helps to keep active**

**Benefits of pets for the family**

A pet entering a family becomes in effect a new family member.
Pivot of home wellbeing, the dog in particular is the mediator of family relationships: parents and children revolve around its presence. For the former it represents a commitment but also a "teaching aid", for the latter, a reliable friend that alleviates fears and sorrows. At home, where more and more parents and children can spend little time together, the arrival of a dog becomes a very important presence.
According to a survey on 150 families[8] (from a wide range of social and regional levels, with children between 8 and 14 years, dog owners for at least 4 years) a dog becomes an emotional center of gravity for both adults and children:

- Subject matter to talk about;
- Stimulus to do more things together;
- Affection catalyst that dissolves domestic tensions.



**The dog is a binding force for the family**

Dogs are loyal, give unconditional and silent affection: children almost trust them more than their parents, and certainly more than their siblings. Especially for younger children, a bark and a caress is enough to make them feel loved. A child interviewed talked of a sense of abandonment when his little brother was born, mitigated only by the affection of the dog. Another speaks of an old blind dog, which now moves little from his bed, but whose very presence makes the house less empty. A dog beats even video games, which are fun but "do not love me". Dogs help to strengthen and extend family relationships: "I do more things with my mother", says a little girl who did not always get on well with her mother, and now is posting photos of the puppy on Facebook.

Children obviously become less passive and sedentary: running with the dog to go out for a walk or roll around with him on the carpet is better than staying nailed to the sofa, or lost watching TV. Having a pet is an important element among peers and stimulates friendships: be it breed or half-breed, children feel proud and feel considered and treated differently by their friends when there is "him", acquiring confidence.

To adults as well, a dog is a catalyst of affections: usually seen as a new child, not only to love but to use as an example of discipline and which makes their two-legged heir feel responsible for. 88% say with satisfaction that thanks to the dog, children better respect the rules and have a responsible attitude in looking after the hairy family member.

[8] Tips research for Deakids (La Stampa).

**Benefits of dogs in school**

The presence of a dog in the school helps to combat bullying. A particular version of pet therapy, providing students with lessons in close contact with a dog, was experimented at Cantel Maths and Computing College in Southampton. The "teacher", a Labrador Retriever named Oscar, has been a wonderful mediator, able to calm down the rebel character of the most unruly pupils, leading them to recognize their mistakes and correct them if necessary. According to school administrators, thanks to him the incidents of bullying almost halved.

**A dog against bullying in schools**

Another ability of the faithful man's best friend is to encourage children to read aloud: that is the case of Danny, a greyhound that helps students of Oakhill Primary School, in Tamworth, England. He is a so-called "listening" dog and part of a project started in the U.S. called Reading Education Assistance Dog (READ). When a child reads, Danny is not critical but simply nods or raises his ear. In this way he encourages reading aloud and fosters the self-esteem of the child. And the prospects are good: thanks to Danny, a child with Down syndrome has noticeably improved his way of reading.

As in the family, even in schools the company of a dog is of great importance. The prestigious Yale University resorted to "dog therapy" to help their students relax by providing a dog in the library. The idea of using dogs in schools was brought several years ago but the proposal of Yale, in this sense, is a revolution. In fact, this program is a kind of experimental testing that provides each student with a dog for about 30 minutes of pampering, as an antidote to relieve stress and improve mood: to spend time with a dog increases happiness, calm and emotional well-being.

**At Yale stress is fought with a dog**

No clear indication as to which breed should be used in these experiments has been given yet: according to experts the most appropriate breeds are all the Retriever (Golden, Labrador, Flat Coated), and some mastiff such as the Bernese Mountain Dog, or herding dogs. What matters is that the dog has some clear attitudinal characteristics, such as reliability and temperament.