



## **PRIVATE LABEL PETFOOD MARKET UPDATE**

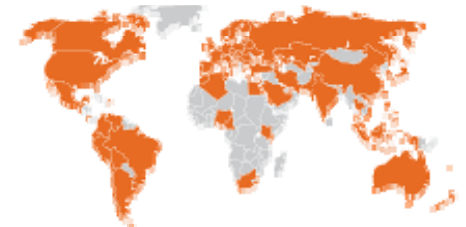
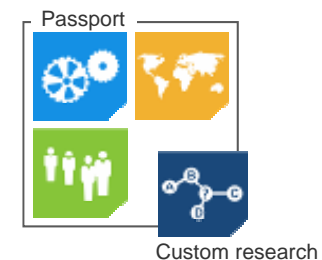
PETFOOD FORUM 2011

LEE LINTHICUM – HEAD OF GLOBAL FOOD RESEARCH

APRIL 13, 2011

# ABOUT EUROMONITOR INTERNATIONAL

- A trusted business intelligence source
- Helping clients make informed decisions
- Consumer-focused: industries, countries, consumers
- Subscription services and custom research
- 600 analysts in 80 countries
- Regional research hubs
- Industry specialist client support teams



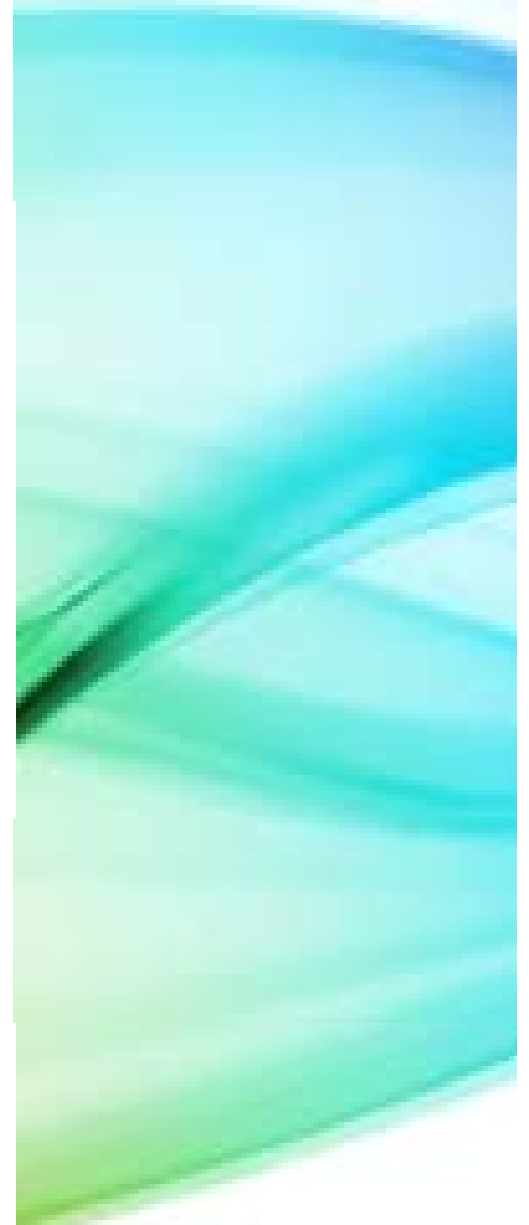
## **GLOBAL MARKET OVERVIEW**

KEY TRENDS AND MARKET DRIVERS

PRIVATE LABEL PET CARE

FINAL CONCLUSIONS

Q&A



# EUROMONITOR INTERNATIONAL PET CARE COVERAGE

## SEGMENTS COVERED:

- Dog food
- Cat food
- Bird food
- Fish food
- Small mammal/reptile food
- Cat litter
- Pet healthcare
- Pet dietary supplements
- Other pet care products

## ALL CHANNELS COVERED:

- Supermarkets/Hypermarkets
- Discounters
- Pet superstores
- Pet shops
- Veterinary clinics
- Homeshopping
- Internet retailing
- Direct selling
- Other grocery and non-grocery retailers

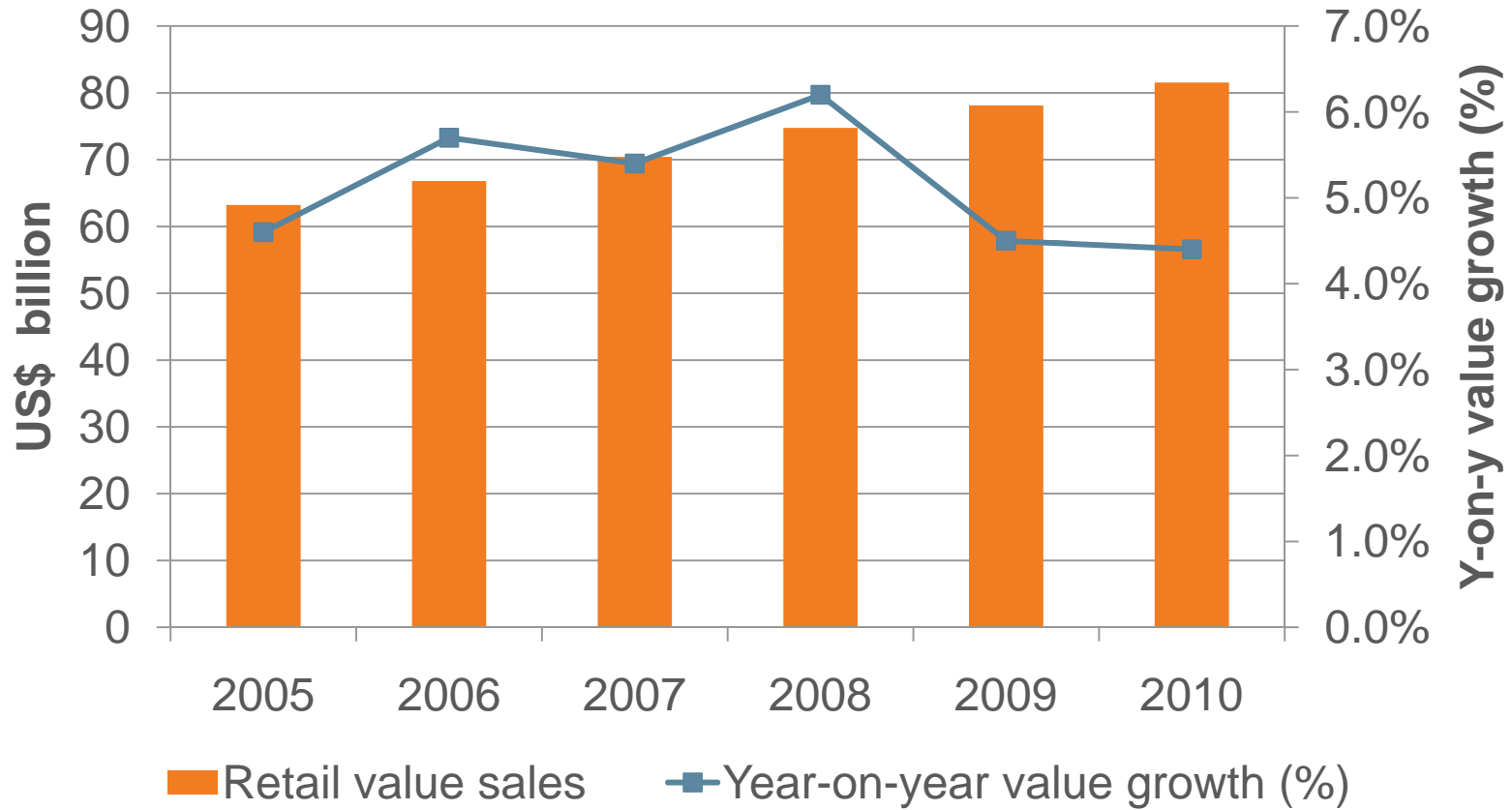
## CONSUMER INSIGHTS:

- Pet indicators
- Social trends
- Demographics
- Macro-economics

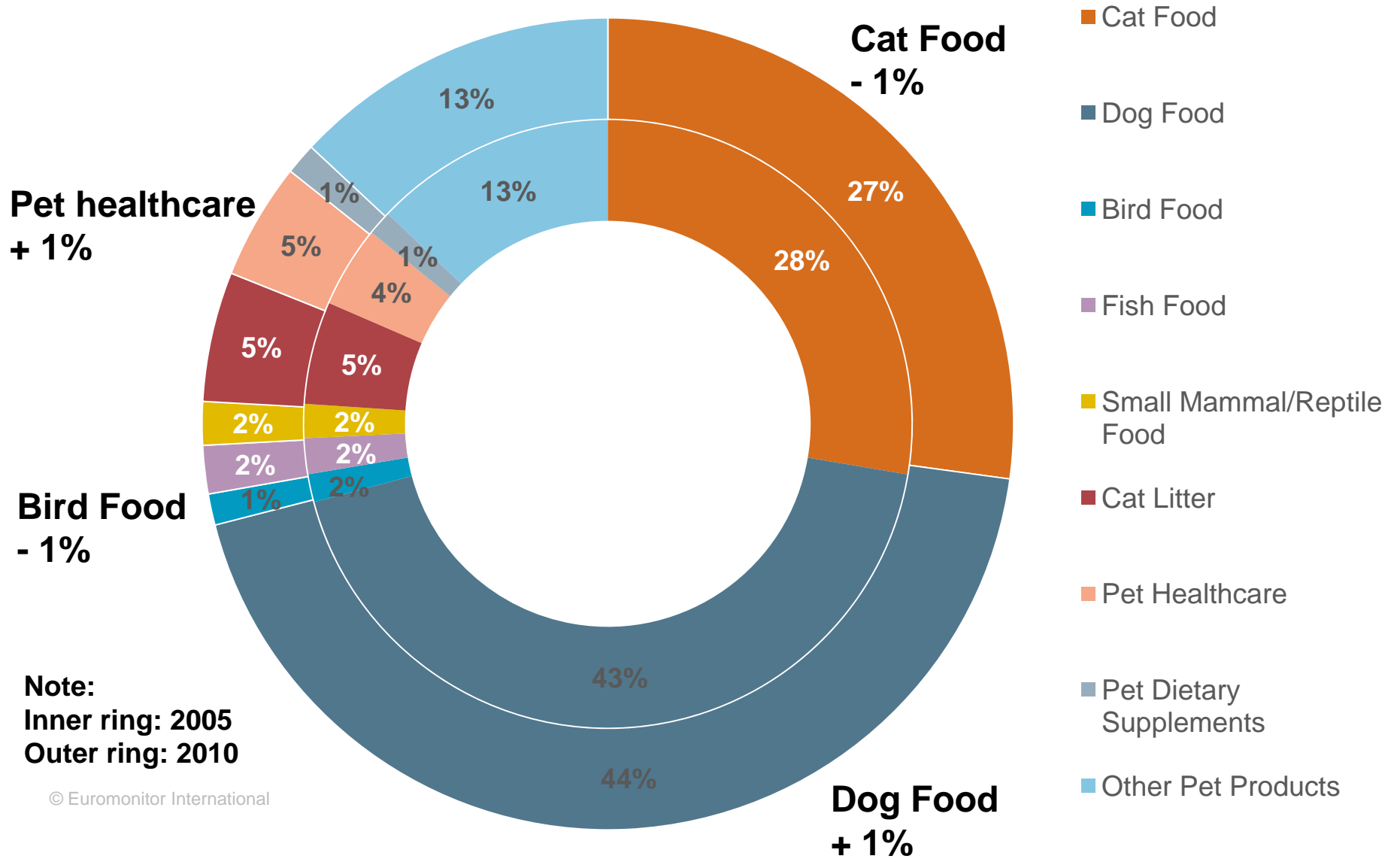
**Pet expenditure in 52 markets = 98% of total global expenditure**

# 2010: RETAIL SALES REMAIN POSITIVELY RESILIENT

## Global Pet Care Retail Value Sales: 2005-2010

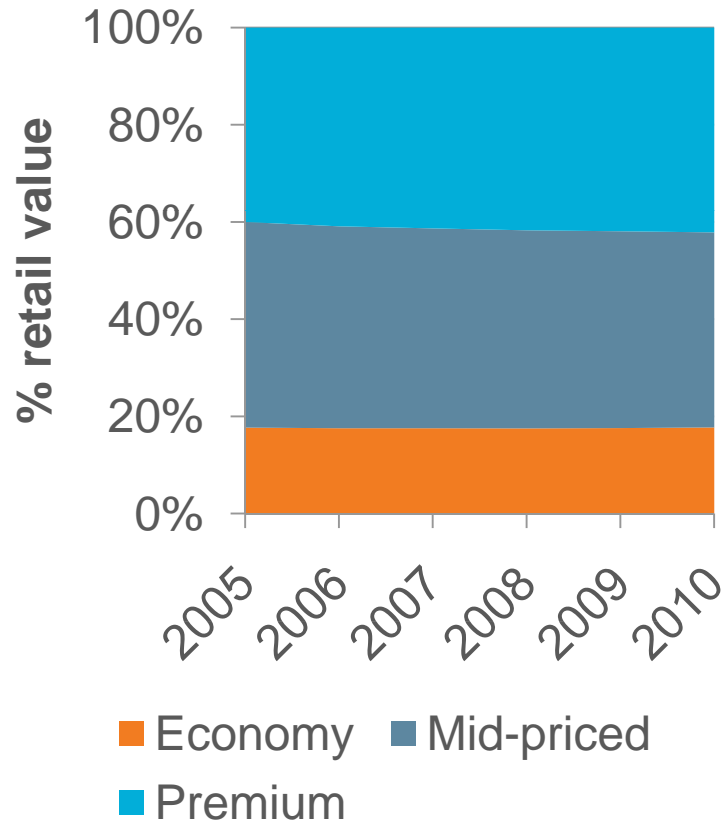


# GLOBAL PET CARE VALUE SHARE BY CATEGORY: 2005-2010

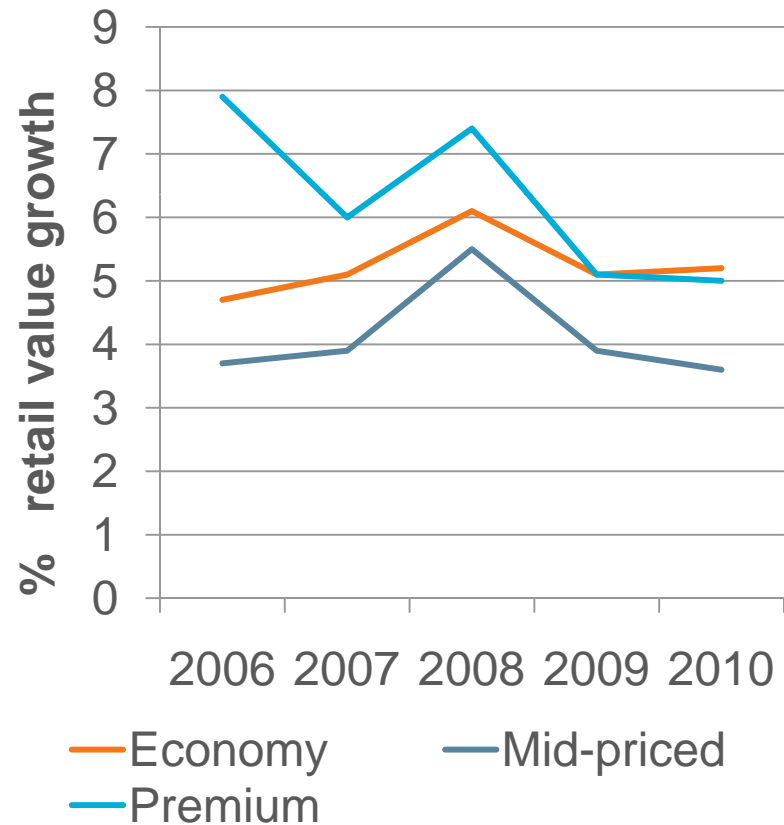


# 2009-2010: ECONOMY DOG/CAT FOOD STANDING OUT

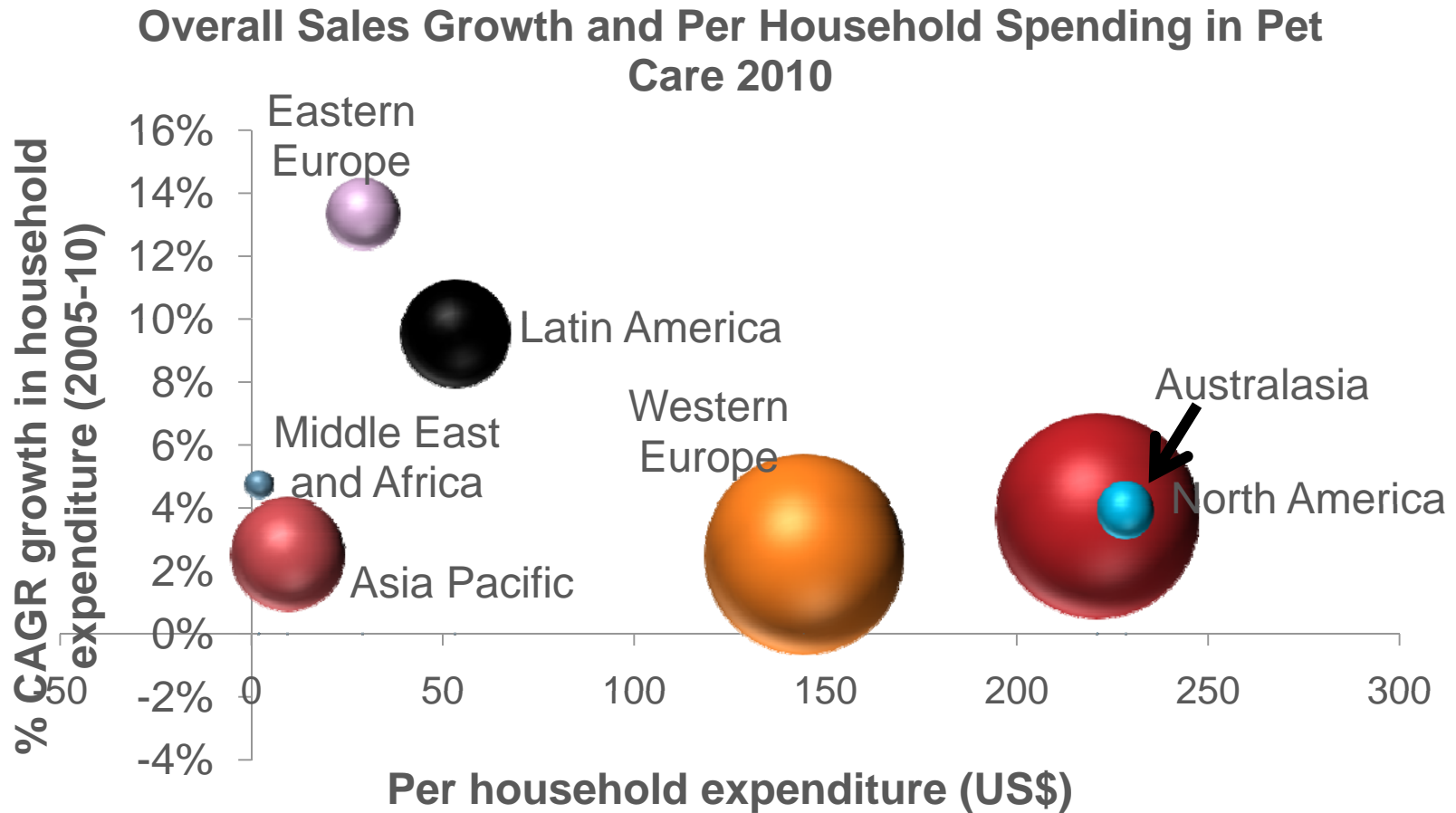
### Global Dog and Cat Food by Price Platform



### Global Dog and Cat Food Growth by Price Platform



# FASTEST GROWTH IN EASTERN EUROPE, LATIN AMERICA



*Note: The area of each bubble relates to the retail value of the market in 2010*



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**KEY TRENDS AND MARKET DRIVERS**

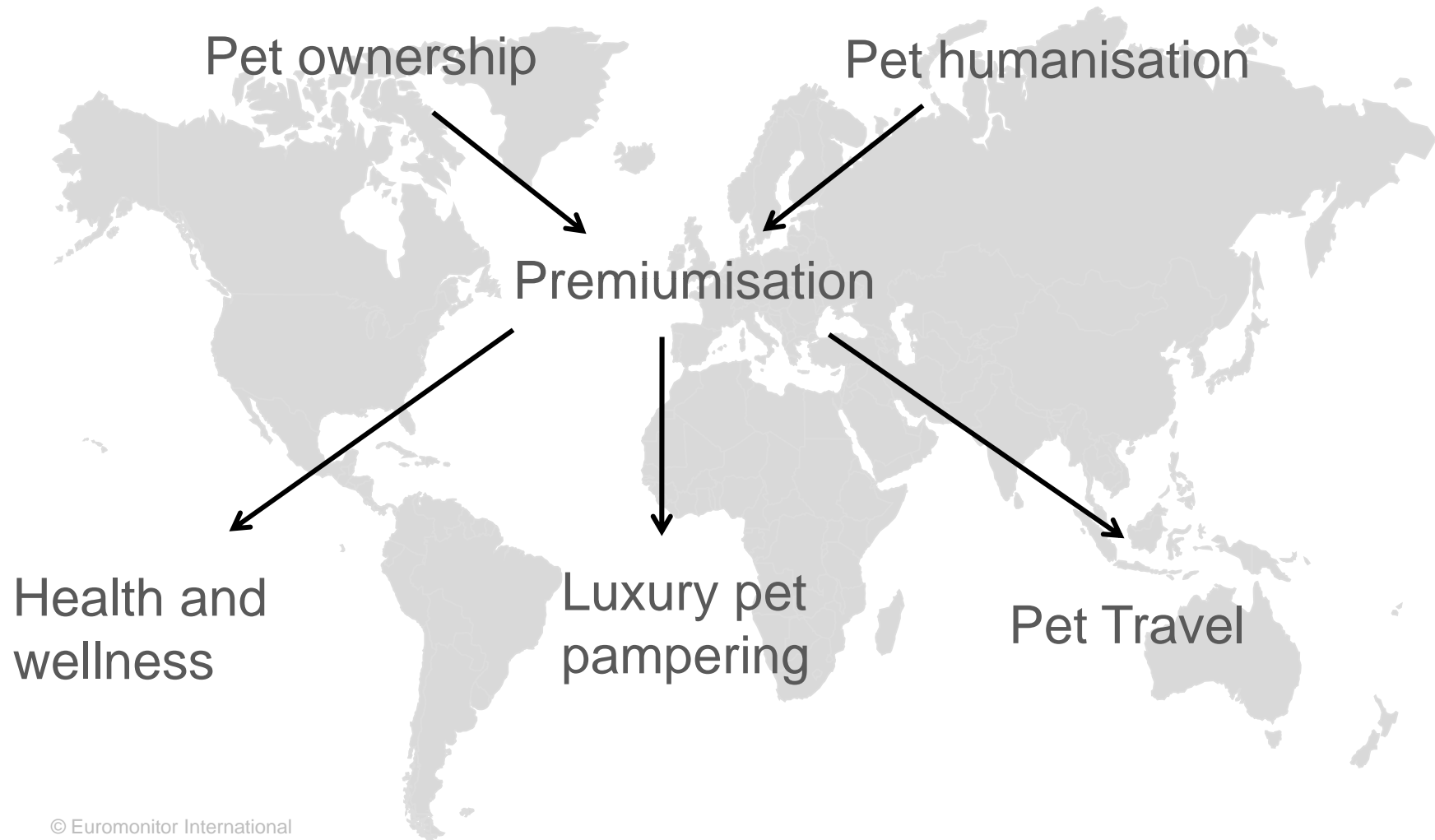
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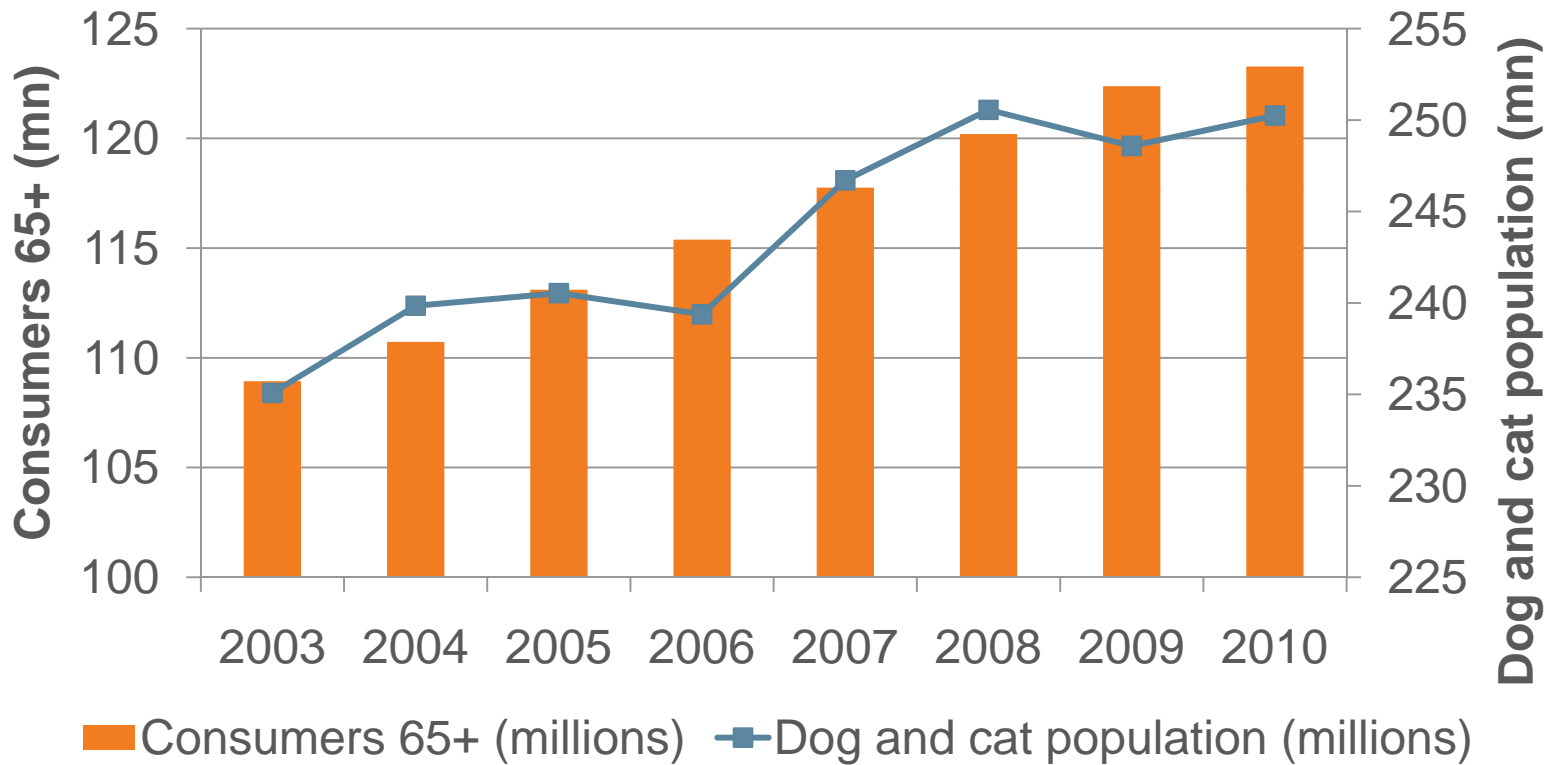


# KEY PET CARE GLOBAL GROWTH DRIVERS



# AGEING CONSUMERS PROMOTE PET POPULATION GROWTH 11

Ageing Consumers and Dog/Cat Population Growth in G7 Markets: 2003-2010



# URBAN CULTURE WILL SOON DOMINATE THE WORLD



© Euromonitor International

Fastest Urban Growth 2005-2015 ('000 People)	
<b>China</b>	<b>154,317</b>
<b>India</b>	<b>115,626</b>
<b>Indonesia</b>	<b>28,730</b>
<b>US</b>	<b>26,860</b>
<b>Brazil</b>	<b>24,078</b>
<b>Philippines</b>	<b>14,229</b>
<b>Mexico</b>	<b>13,228</b>
<b>Turkey</b>	<b>11,644</b>

Half the world's  
population  
urban by 2015

## CHANGING DEMOGRAPHICS AND CULTURAL ATTITUDES

- Ageing consumers
- Younger consumers staying single/childless longer
- Rising disposable incomes in emerging markets
- Increasingly urban populations
- Busy lifestyle and longer working hours
- Pet humanisation influencing purchase decisions
- Willing to pay premium to improve pet's quality **AND** quantity of life

## DOG AND CAT FOOD: KEY GROWTH SEGMENTS

### Fastest growing segments globally: 2000-2010 Retail Value CAGR

- Cat treats and mixers : 12%
- Premium dog food: 9%
- Premium cat food: 8%
- Pet healthcare 8%
- Dog treats and mixers: 7%
- Economy dog food: 6%
- Dietary supplements: 5%
- Mid-priced dog food: 5%
- Mid-priced cat food: 5%
- Economy cat food: 4%



Treats, premium food, pet healthcare driving global growth!

# PREMIUMISATION: HUMAN-LED INGREDIENTS, APPLICATIONS 15

Humane Choice by Humane Society (USA)



Gourmet Gold Soufflé by Nestlé (France)



Bowser Beer for Dogs (USA and UK)



Sheba Essence Paté by Mars (Germany)



# DOG/CAT FOOD HEALTH & WELLNESS PRODUCT EXAMPLES 16

## All Natural and Organic



## Fortified and Functional



## Weight Management



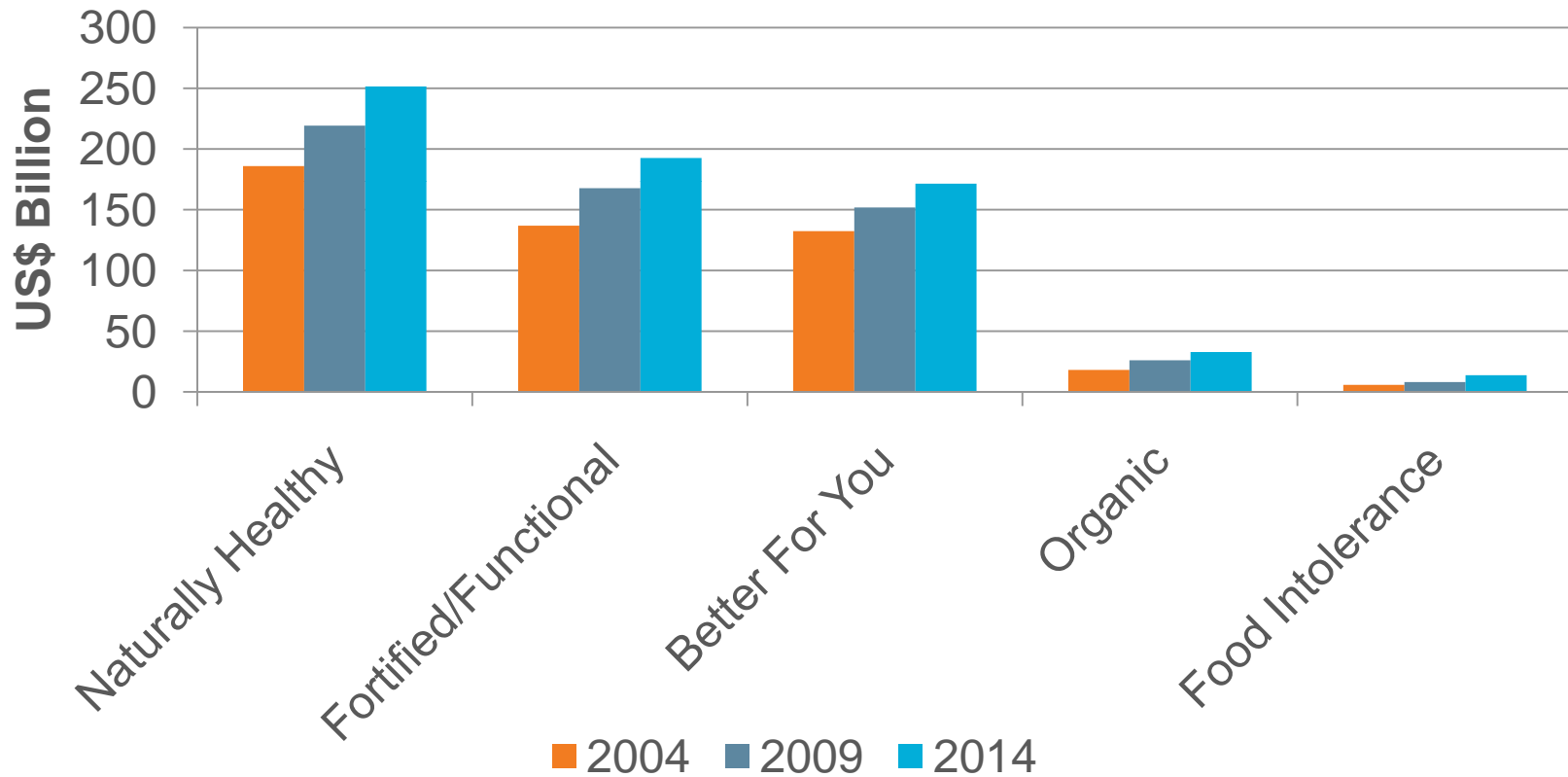
## Food Allergies and Hypoallergenic





# US\$600 BILLION GLOBAL “HEALTH AND WELLNESS” MARKET 17

## Global Health & Wellness Human Food and Beverage Retail Value Sales: 2004-2014



# HEALTH AND WELLNESS DOG AND CAT FOOD TRENDS

Pet humanisation leads to specialised formulas addressing:

- Weight loss and management
- Arthritis relief
- Sensitive skin
- Diabetes
- Digestive / Urinary tract health
- Heart health
- Immune system support
- Mental development and health



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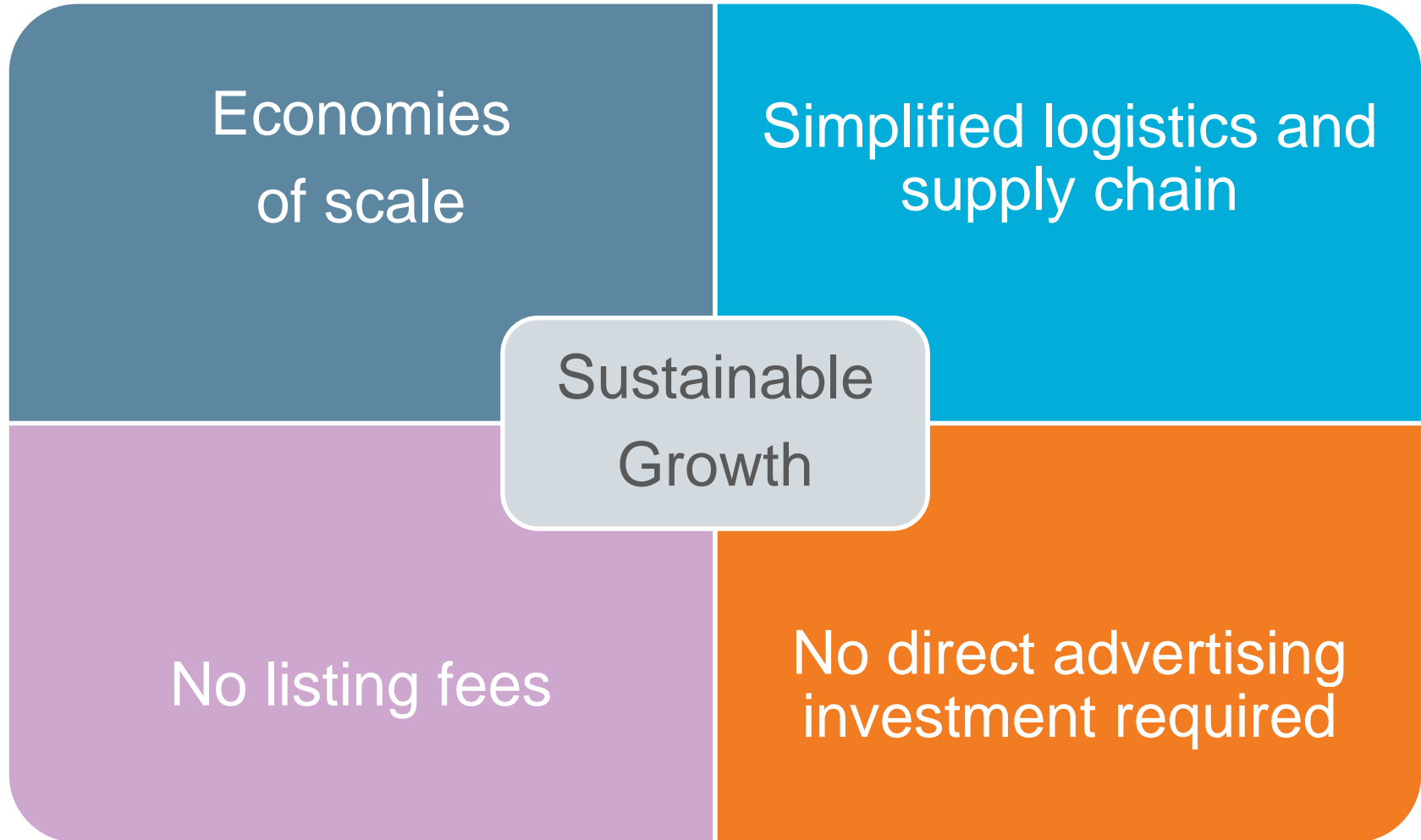
**PRIVATE LABEL PET CARE**

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# BENEFITS OF PRIVATE LABEL FOR SUPPLIERS

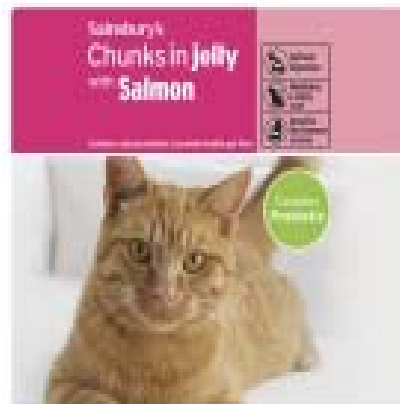


## BENEFITS OF PRIVATE LABEL FOR RETAILERS

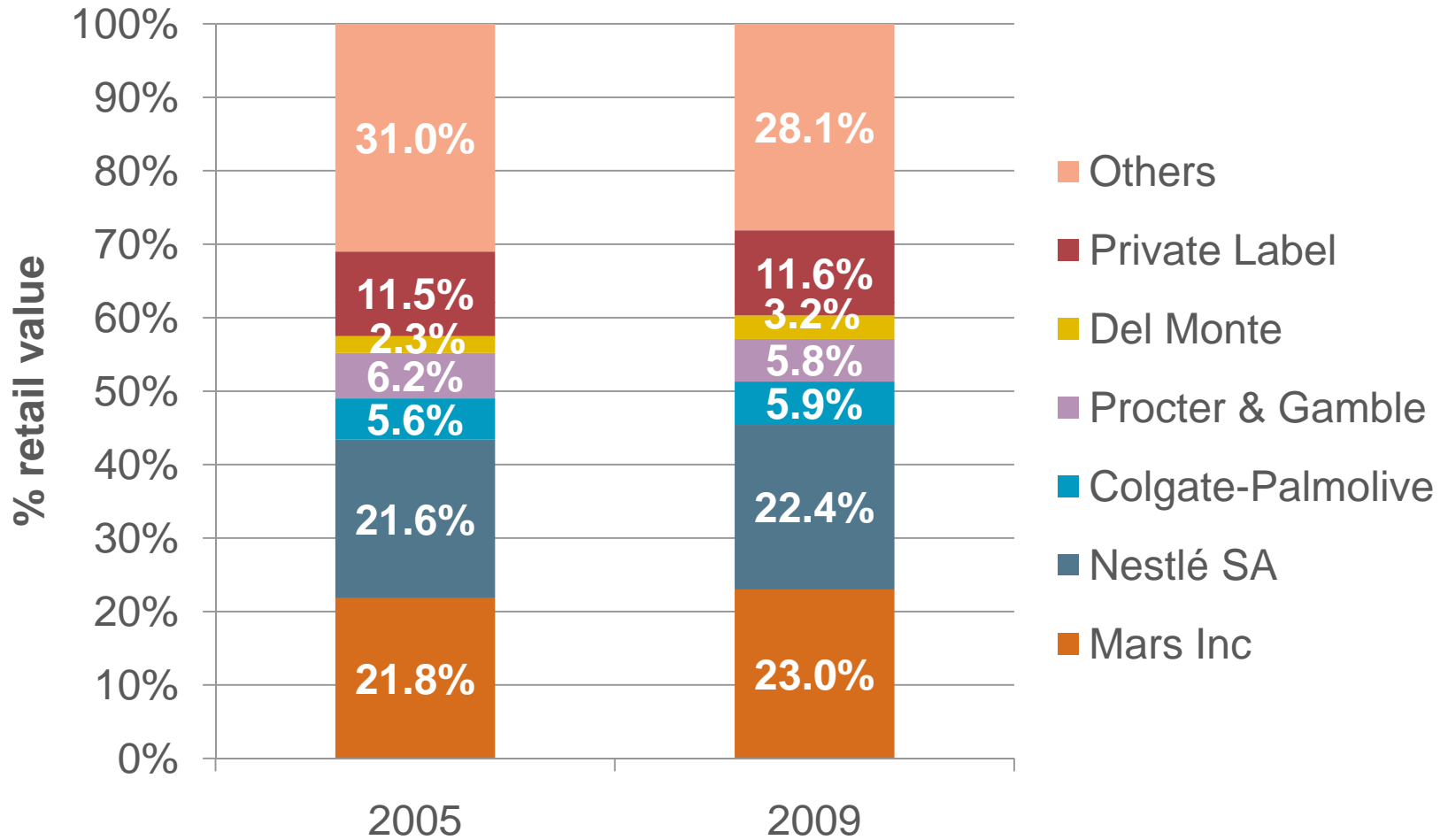


- 20-30% cost savings for retailers relative to brands
- Savings only partially passed on to consumers
- Higher control of shelf-space and delivery schedules

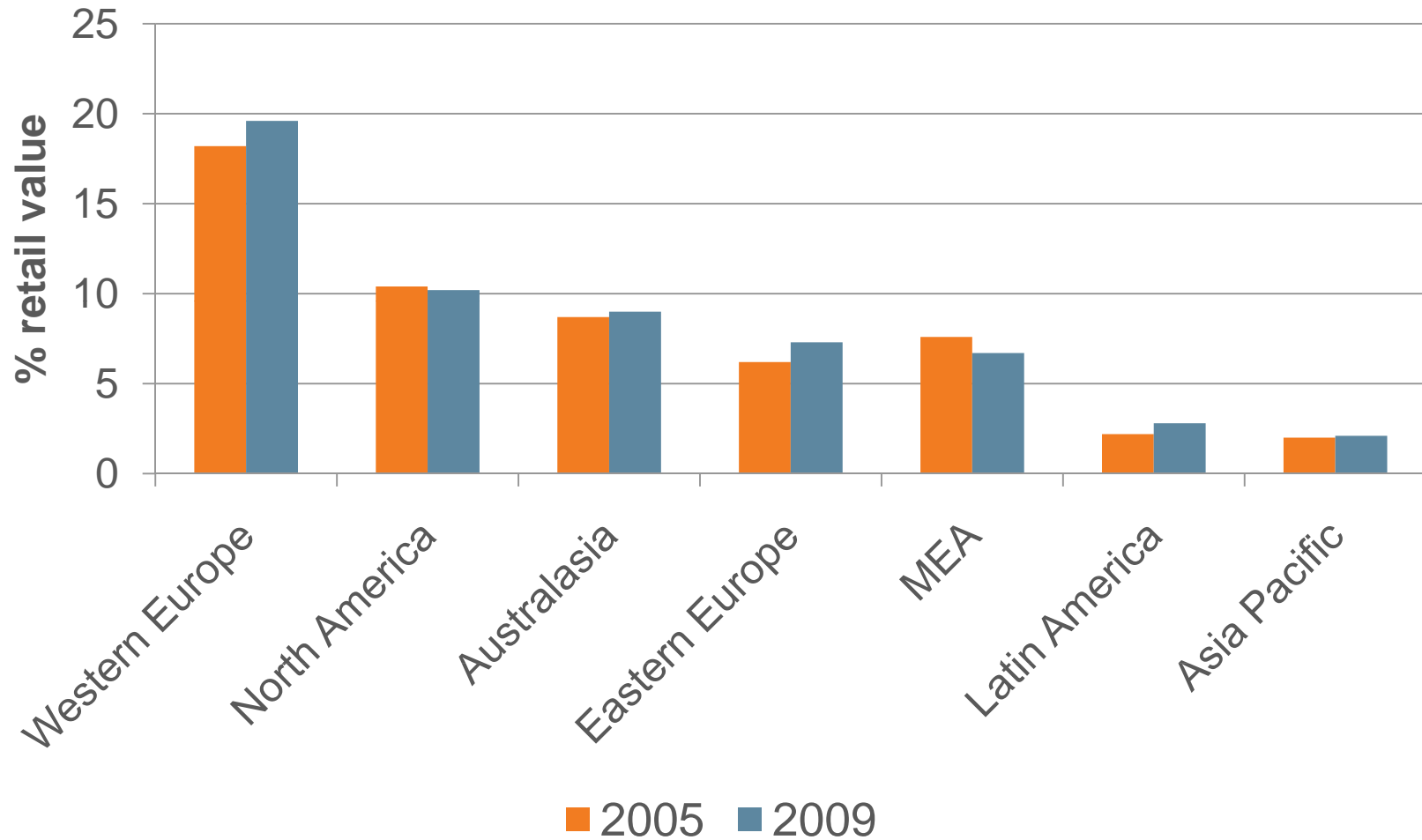
# THE NATURE OF PRIVATE LABEL PET FOOD IS CHANGING... 22



# GLOBAL PET FOOD COMPETITIVE LANDSCAPE: 2005 VS 2009 23

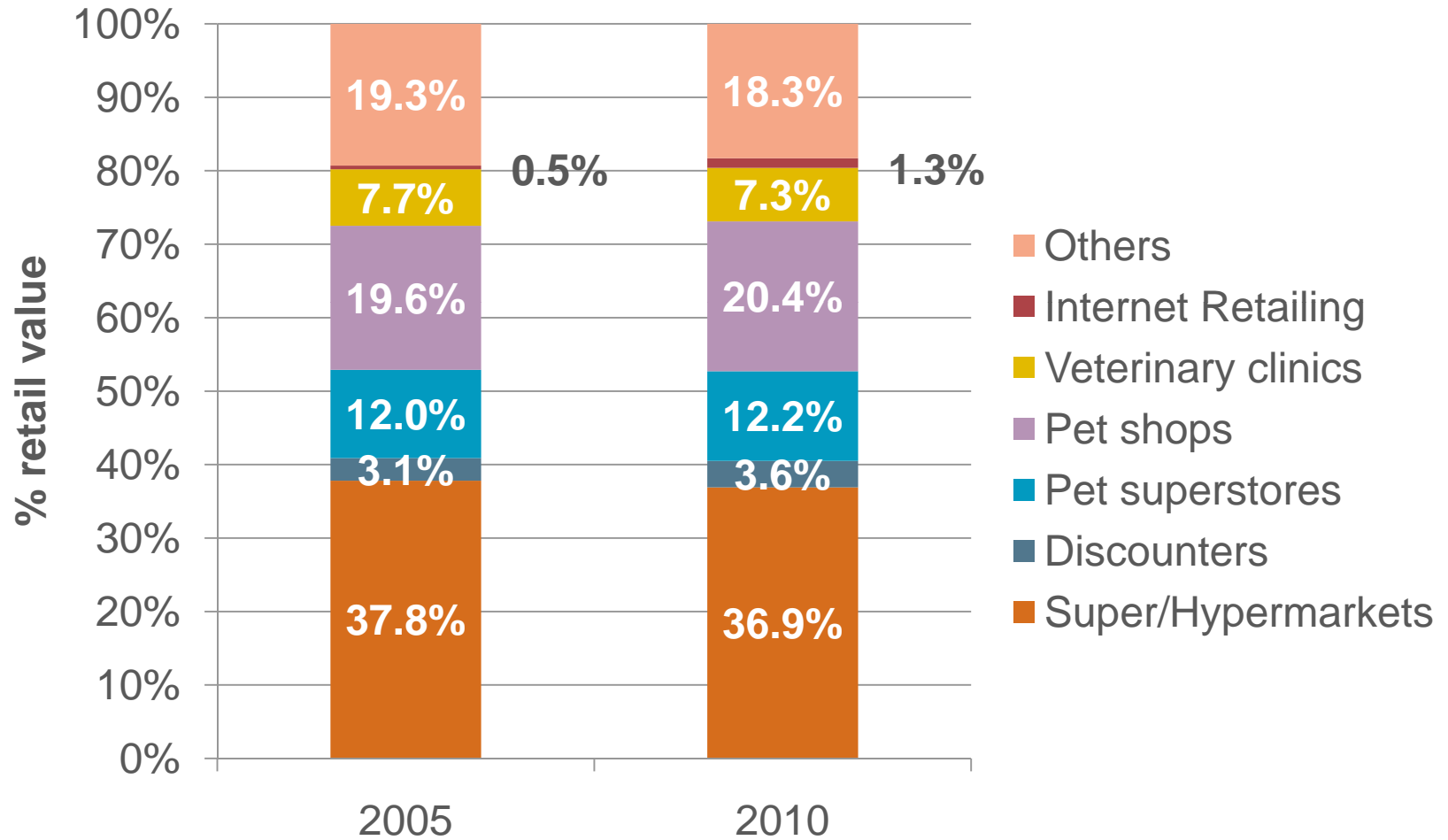


# PRIVATE LABEL PET FOOD RETAIL SHARE BY REGION



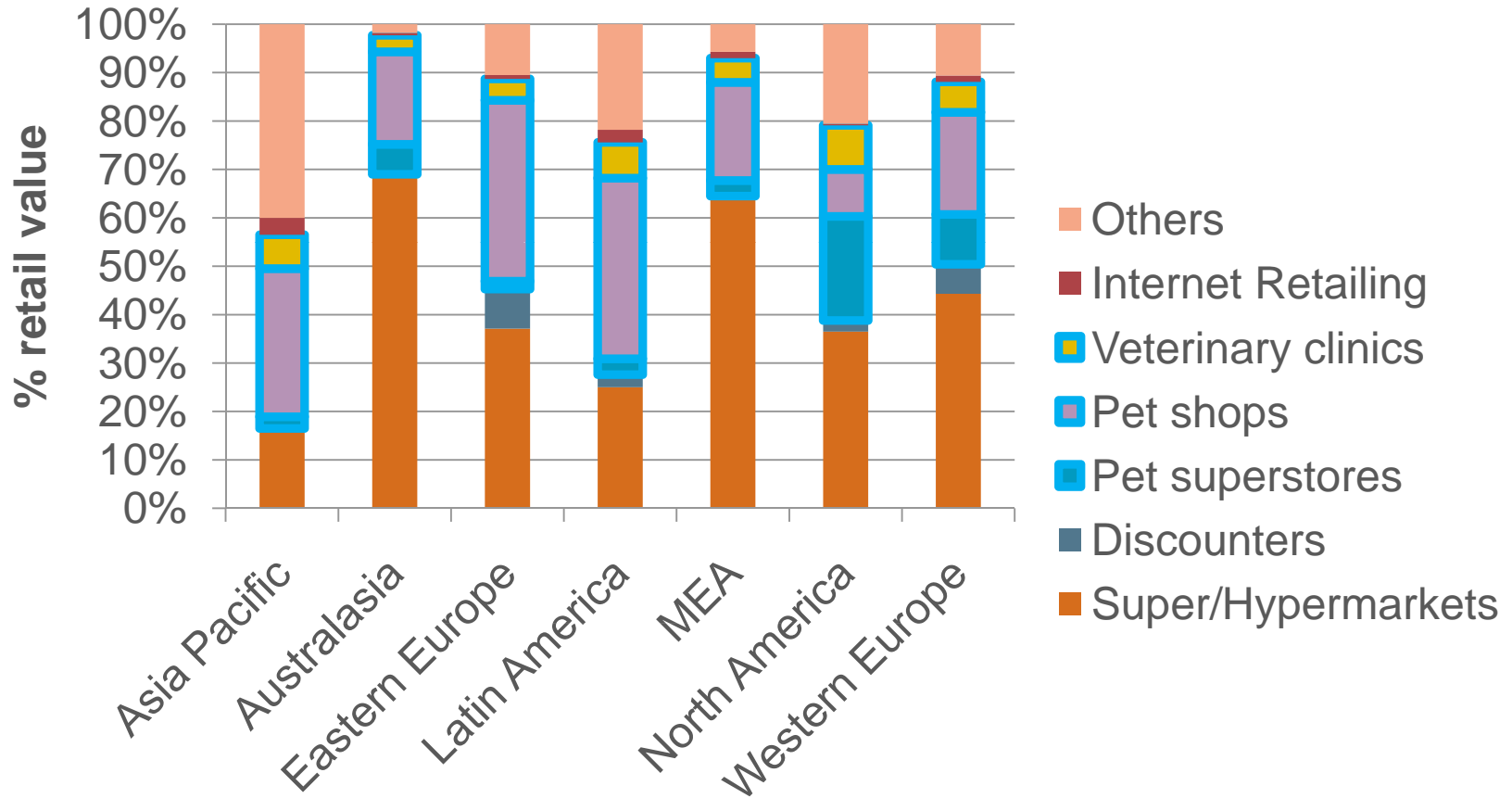


# GLOBAL PET CARE RETAIL DISTRIBUTION BY CHANNEL



# PET CARE RETAIL DISTRIBUTION VARIES BY REGION

## Regional Pet Care Retail Sales by Channel Format: 2009



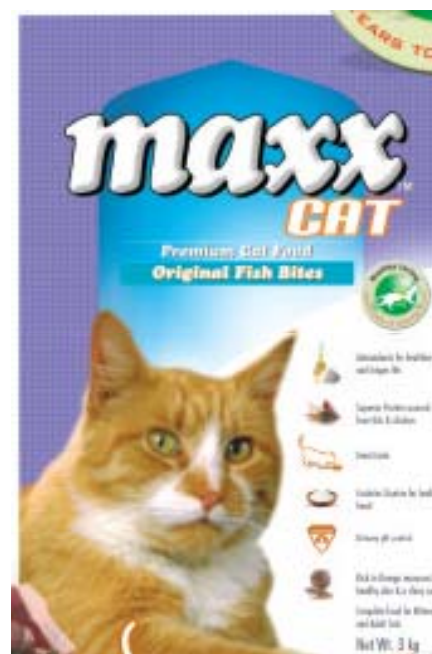
## PRIVATE LABEL PET FOOD GLOBAL STATUS REPORT

- Value-minded private label pet food increasingly bringing new consumers into the global pet food markets in developing markets
  - Asia Pacific
  - Latin America
  - Eastern Europe
  
- This trend bolstered by expansion of supermarkets/hypermarkets
  
- Private Label pet food becoming more premium-minded
  
- Global expansion of Pet Superstores creating new opportunities for private label pet food
  
- **What can US retailers learn from this to bolster private label appeal?**

## ADDING VALUE TO PET FOOD IN EMERGING MARKETS

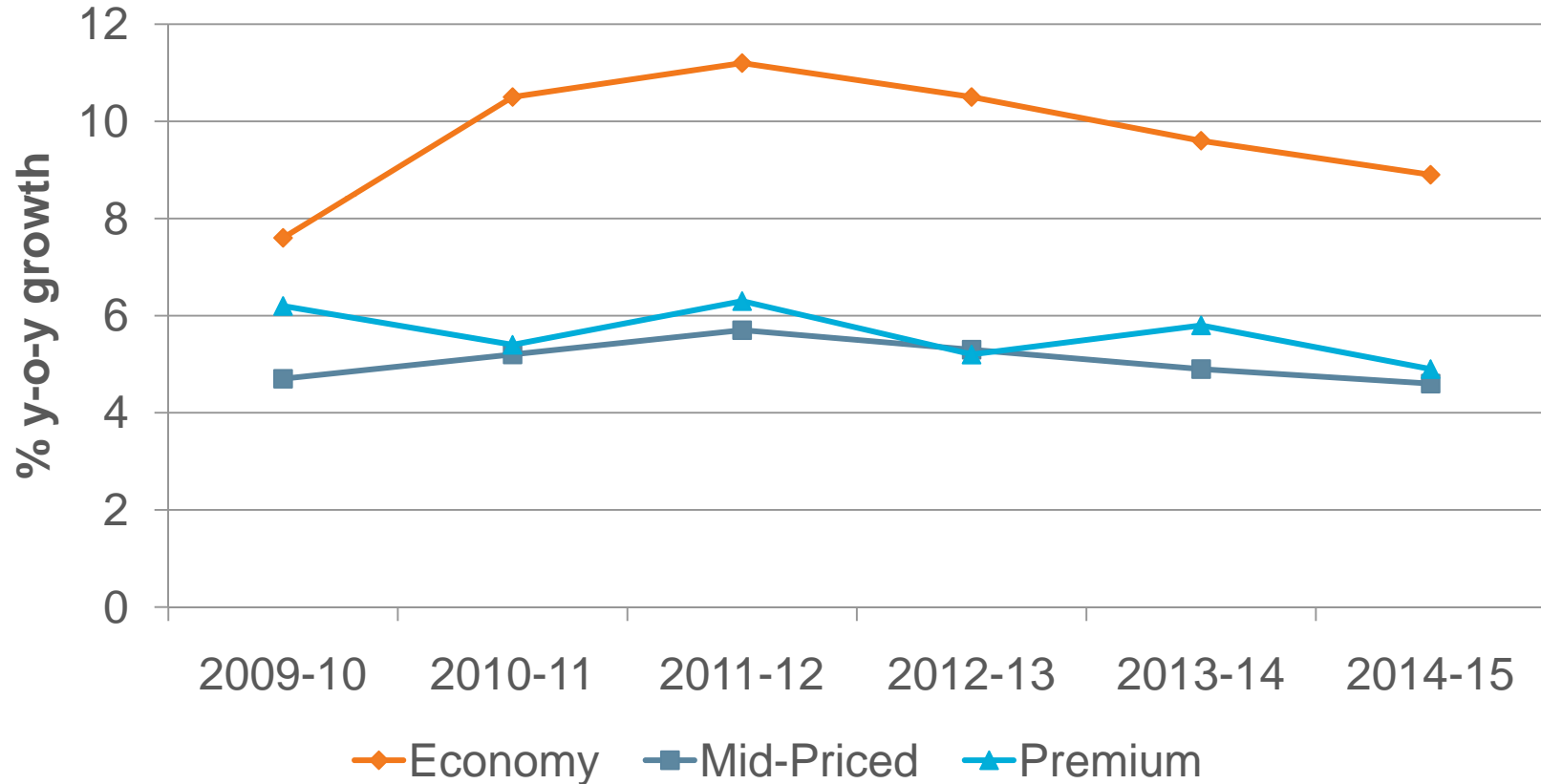
- Economy dry cat food
- Combines a health and wellness positioning with a more affordable retail price point
- Key ingredients include:
  - Taurine (heart health)
  - Antioxidants
  - Omega-3 fatty acids (healthy skin and coat)

### Maxx Cat from India's Petsmart Pet Products Pvt



# DOG/CAT FOOD GROWTH PROSPECTS IN BRIC MARKETS

**Dog and Cat Food Retail Value Prospects by Price Band in Brazil, Russia, India and China: 2009-2015**



# BRANDED VS PRIVATE LABEL PET FOOD: UNITED KINGDOM



Sheba RSP: £0.59 per 100 grams (£5.90 per kilo) at Tesco



Tesco Finest RSP: £0.69 per 80 grams (£8.63 per kilo) at Tesco

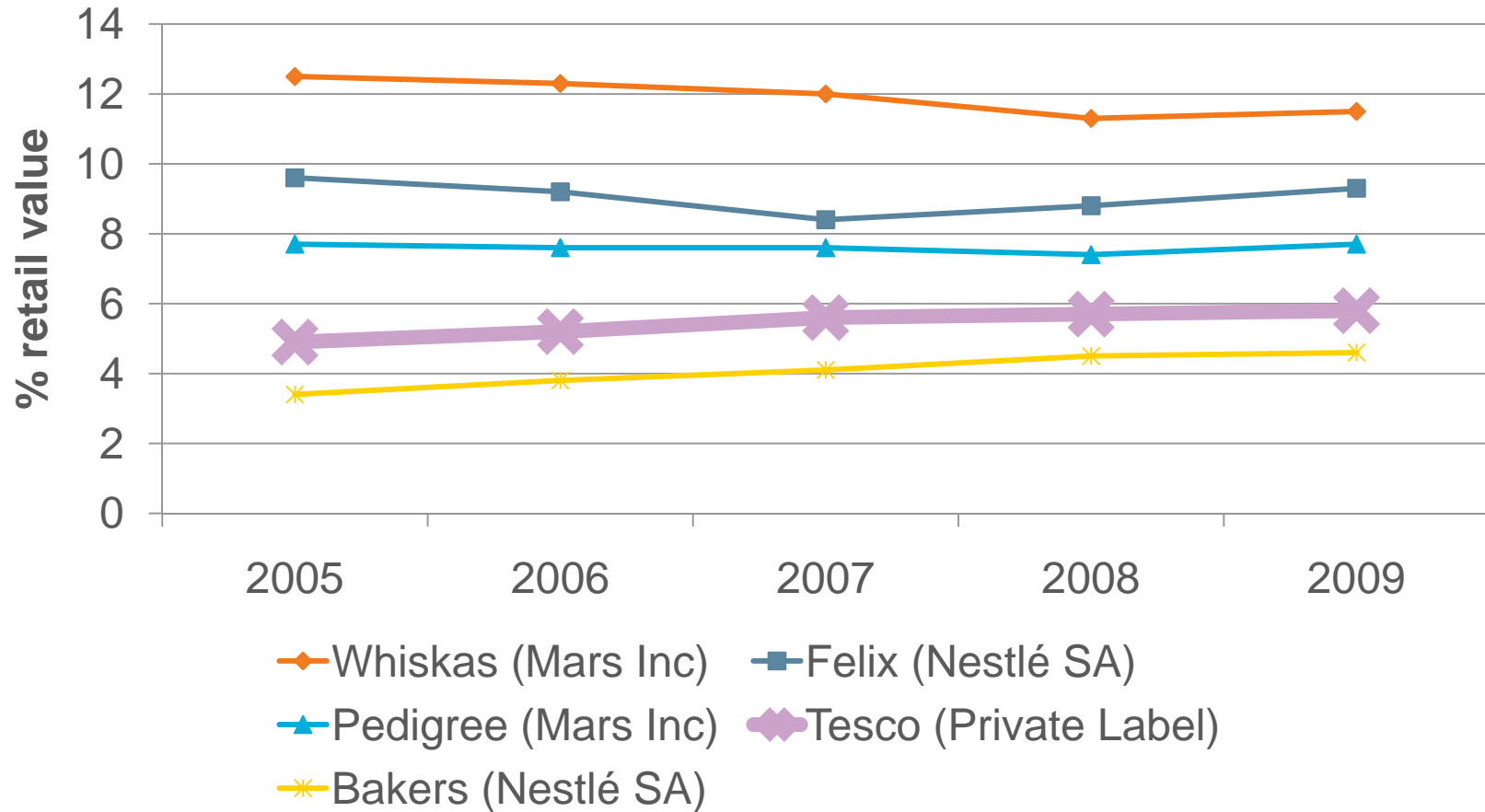
Tesco Enhanced Nutrition Senior Cat

Tesco Enhanced Nutrition Kitten



# BRANDED VS PRIVATE LABEL PET FOOD: UNITED KINGDOM

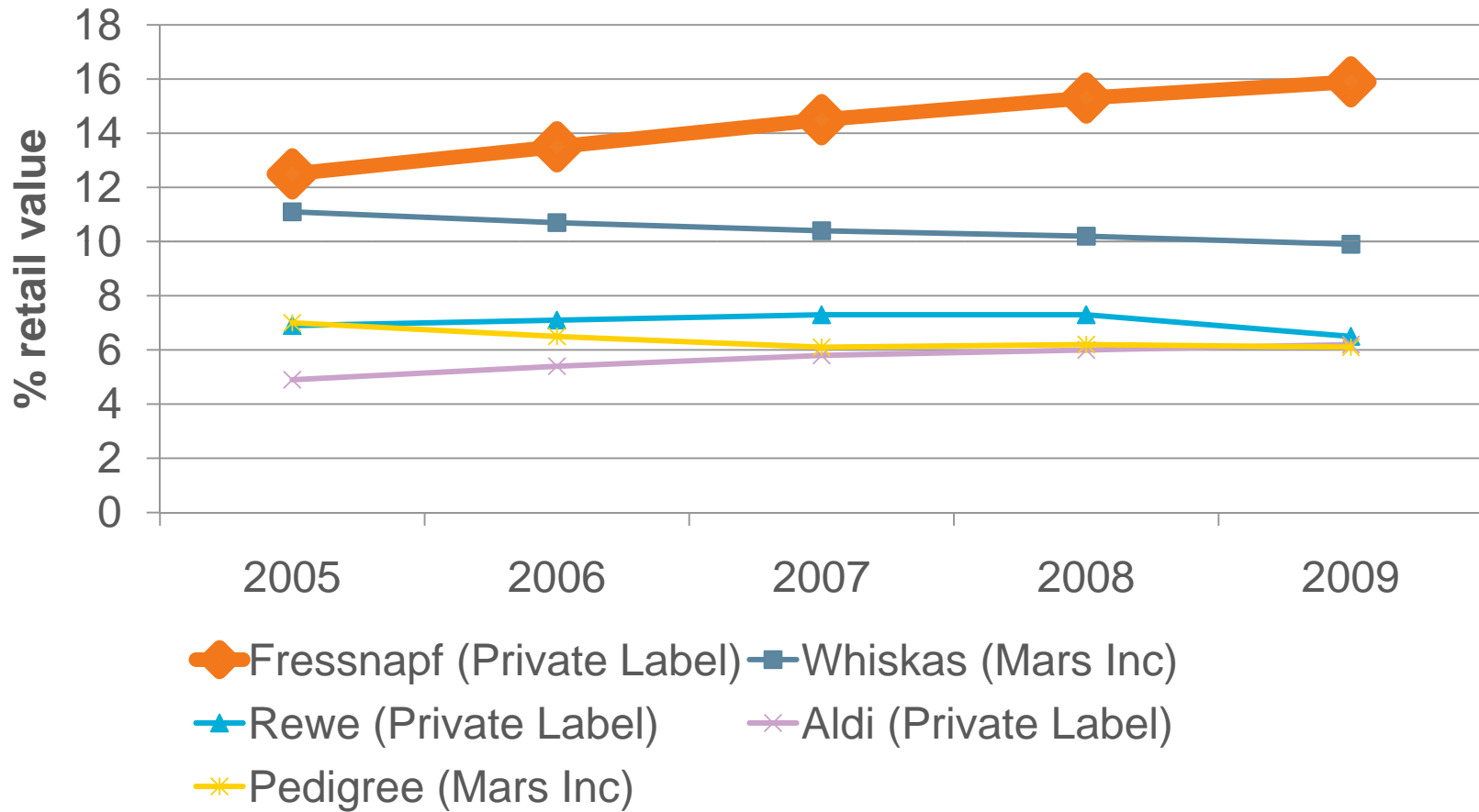
## Top 5 UK Dog and Cat Food Brands: 2005-2009



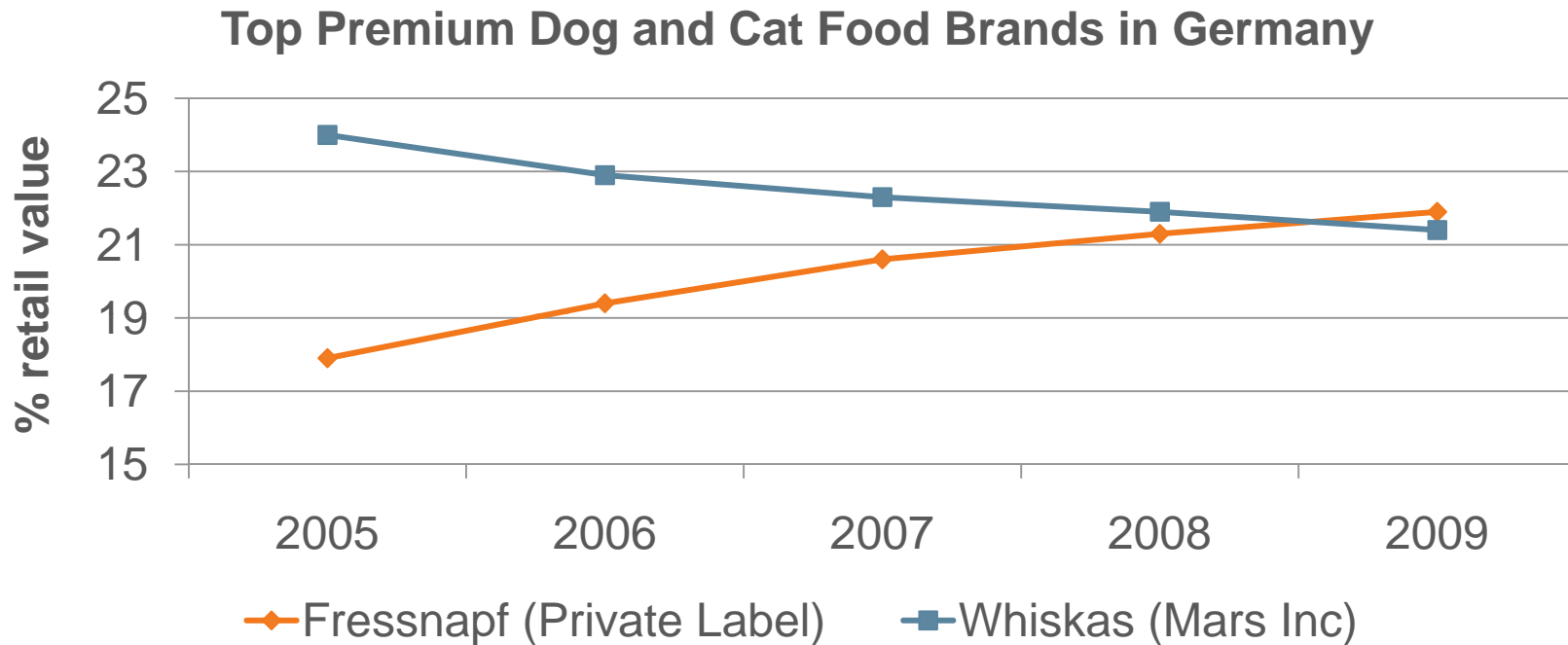


# BRANDED VS PRIVATE LABEL PET FOOD: GERMANY

## Top 5 German Dog and Cat Food Brands: 2005-2009



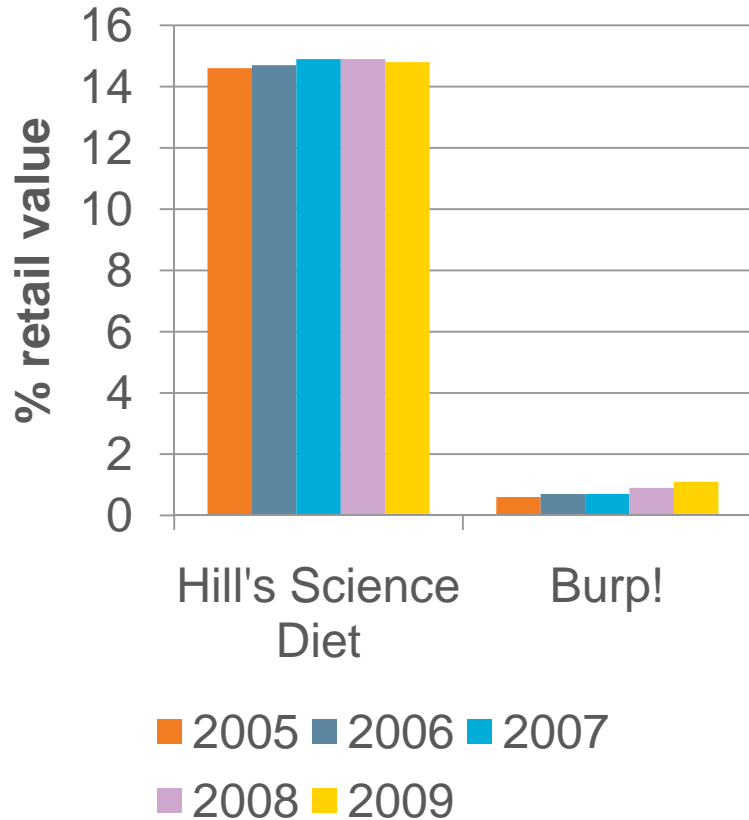
# PREMIUM PRIVATE LABEL: FRESSNAPF IN GERMANY



- Carries super-premium positioning
- Many products made from 100% all-natural ingredients
- Exclusive distribution of such premium product bolsters Fressnapf's overall image in the eyes of German consumers

# PREMIUM PRIVATE LABEL PET FOOD: BURP! IN SINGAPORE

### Hill's vs Burp! in Singapore Dog/Cat Food



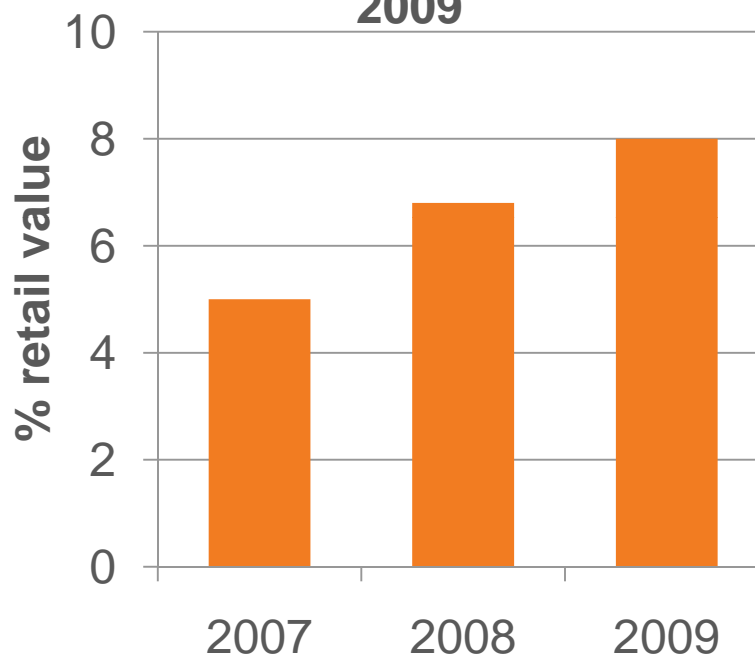
### Burp! Super-Premium Dog Food from Singapore's The Pet Safari pet superstore



# CASE STUDY: PRIVATE LABEL MILK FORMULA IN THE US

- Success depends on strong equity
- Leverage equity of retailer
- Specialist retailers better positioned than supermarkets and discounters
- Babies ‘R’ Us milk formula
  - Product packaging closely mirrors leading brands
  - Variety of added value offerings
  - Trusted “brand” name
- Positive consumer comments:
  - [www.buzzillions.com](http://www.buzzillions.com): 75 positive comments versus less than 10 negative postings

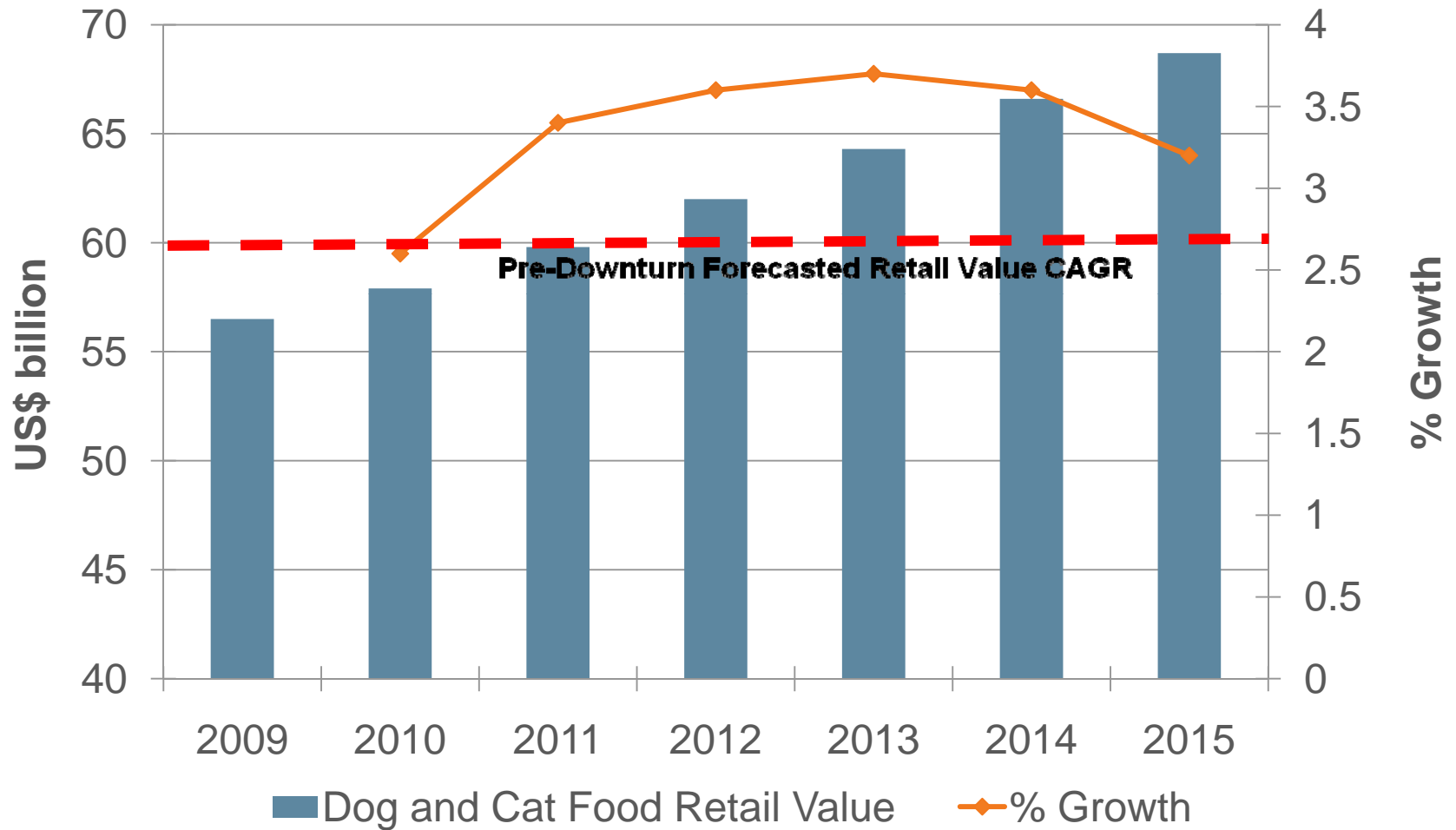
US Private Label Milk Formula Retail Share: 2007-2009



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# GLOBAL DOG AND CAT FOOD PROSPECTS: 2009-2015



# DOG AND CAT FOOD: LARGEST VS FASTEST GROWING MARKETS

## 10 Largest Markets in 2015

Country	2015 US\$ Millions	2010-2015 CAGR
USA	23,060	4.7
<b>Brazil</b>	<b>5,857</b>	<b>6.2</b>
Japan	4,435	0.2
France	4,219	1.6
UK	4,171	1.1
Germany	3,970	2.3
Italy	2,380	1.3
<b>Russia</b>	<b>2,161</b>	<b>8.7</b>
Canada	1,681	3.1
Australia	1,675	1.9

## 10 Fastest Growing Markets to 2015

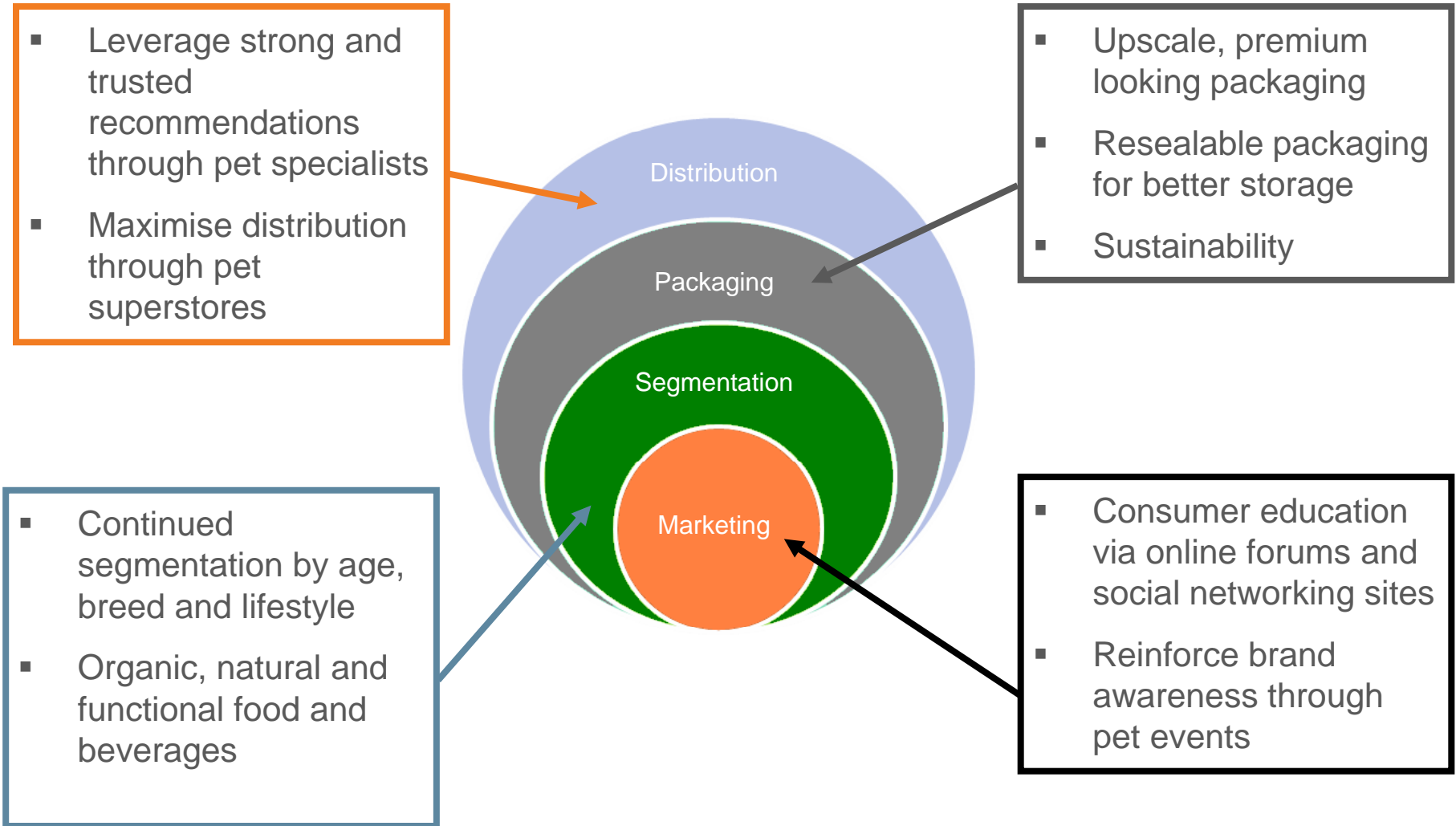
Country	2015 US\$ Millions	2010-2015 CAGR
India	82	13.8
Saudi Arabia	28	9.8
<b>Russia</b>	<b>2,161</b>	<b>8.7</b>
Thailand	456	8.3
Turkey	220	8.3
Romania	246	8.2
China	476	7.7
Ukraine	304	7.6
Morocco	57	7.5
Poland	685	7.5

## PRIVATE LABEL PET FOOD CHALLENGES, OPPORTUNITIES

- Private label pet food maintaining prominent position globally...  
... But value share expansion still lagging behind that of the “Big 5”
- Premiumisation trend undermining private label growth
  - Private label claims 40% of global economy dog and cat food retail value
  - But only accounts for 4% of global premium dog and cat food retail value
- Particularly notable in developed economies, where private label focuses mainly on the economy/value end of the market
- Global position undermined by lack of strong presence in the US
  - US private label mainly focuses on economy/value: Ol’ Roy
- US has limited premium private label presence
- Pet superstores could do more with private label premium offerings
- Can PetSmart move from Great Choice to Authority?



# GLOBAL PET CARE STRATEGIC RECOMMENDATIONS





**THANK YOU FOR LISTENING**

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