

## **Market Outlook [June 2008]**

### ***North American Pet Insurance Market Sees Entry of Purina, Kroger, Other Big Names***

Get ready for a new billion-dollar slice in the U.S. pet market pie: as of spring 2008, the pet insurance industry appears set to explode. During the past two years over a half dozen new companies and famous-name brands have come onto the playing field, each of them putting a different spin on pet insurance, from highly customizable plans (as with Embrace and Petplan U.S.) to greatly simplified ones (as with PetFirst). Among the famous names now backing pet insurance are the American Kennel Club (sold by PetPartners) and the American Society for the Prevention of Cruelty to Animals (sold by Hartville). All are focusing heavily on direct-to-consumer marketing, contributing to the critical mass of awareness needed to increase pet insurance penetration beyond its historical level of less than 1%.

This market expansion has important implications for the U.S. market for pet products and services as a whole, including the growing presence of financial services providers and the expansion of big pet market names into new areas. The next time you check out at No. 1 U.S. supermarket retailer Kroger, for example, check out its new in-store displays of personal finance products, which now include pet insurance. You may also recognize another recent market entry—PurinaCare—which will be available in the United States starting in Summer 2008, selling through a new insurance agency created by Nestlé Purina itself. Purina entered the Canadian market in May 2007 via an agreement with SecuriCan, Canada's only dedicated pet insurance underwriting company. This ramped-up activity is challenging established pet insurance marketers, such as Veterinary Pet Insurance and Pethealth, to become more forceful and creative in their own marketing, a situation that can only result in even greater consumer awareness of pet insurance, especially as veterinary costs continue to soar

If the future of the North American pet insurance market depends on marketing-driven consumer demand, as this column believes it does and history supports, then this market is, as of mid 2008, at a pivotal stage. What's more, this latest pet healthcare wave is rife with co-marketing and customer-relationship-building opportunities for smart pet product marketers, service providers and retailers alike, in the form of affinity arrangements with pet insurance providers eager to expand their market reach.