

Market Outlook [August 2008]

Keeping Pet Specialty Shoppers Loyal in Recessionary Times

It's official. The United States is in a recession, at least according to 85 percent of the 1,000 U.S. consumers polled online by The Nielsen Company in April 2008. At the same time, the Conference Board's Consumer Confidence Index, which measures how a representative sample of 5,000 U.S. households feel about the current and future state of the economy, shows that consumer expectations sank to 50.1 in April 2008. This means that, from where the average American sits, the future looks 49.9 percent less bright than it did in 1985, a level 28 percentage points lower than in the month following the September 11 attacks.

Although the pet market's historical tendency toward being recession resistant may offer some comfort, it should not be taken by marketers and retailers as an invitation to do nothing. As noted in last month's installment of this column, Wal-Mart sees the weak economy as an opportunity to lure money-strapped consumers into its ever-growing pet departments, especially those consolidating shopping trips to save gas. Taking a similar approach, leading national supermarket chains are pumping up pet department promotions to nab pet owners who, because of the high gas prices, no longer want to make non-essential retail stops. Co-conspirators in this mass-market push are category leaders in pet staples including food and litter, weighing in with a variety of value-oriented pitches.

This all comes at a unique time in the life cycle of the U.S. pet products market. First, during the past few years premium product development and marketing have shifted most pet market spending into higher income demographics. Second, this down period in the U.S. economy follows by almost exactly one year the largest pet food recall ever, when millions of pet owners were shocked to find out that the superpremium foods they'd been paying big bucks for had been coming off the same production lines as the cheapest foods. In this market climate, one thing the pet specialty channel cannot afford is complacency, perhaps assuming that the greater affluence of their market base will fully protect them. More now than ever, premium product purveyors must make sure not just that store shelves are stocked with compelling products, but also that their shopper base truly understands why those products are worth both the bigger price tag and the "extra" trip.