

Market Outlook [April 2009]

Natural Products Well-Positioned to Ride Out Recession

The dismal state of the U.S. economy continues to negatively affect the way U.S. consumers shop and spend. According to a National Retail Federation report released in January, total retail sales in the U.S. rose just 1.4% in 2008 and retailers are forecast to post a record 0.5% drop in revenue in 2009, the first annual decline in at least three decades, with rampant layoffs, falling home prices and tight credit keeping consumers tightfisted. In the report, retail sales are expected to fall 2.5% during the first half of 2009 and by 1.1% in the third quarter, before rebounding to a 3.6% increase in the fourth quarter. That said, during 2008 the U.S. pet industry continued to do just fine. Why this relative recession resistance? Three reasons, according to Packaged Facts' *U.S. Pet Industry Outlook 2009-2010* report:

- 1) Human/animal bond: Many dog and cat owners view their pets as “surrogate kids” upon which they are as loathe to cut back on spending, much as parents are human kids.
- 2) Premium demographics: During the past ten years households earning \$70,000 or more have grown to account for over half of all pet industry spending, and these are the households best suited to weather the economic storm.
- 3) Pet market momentum: The pet industry enjoys momentum of a kind seen in few consumer goods industries of comparable size and level of development, which Packaged Facts believes is largely a function of pent-up demand for better quality products and of marketers and consumers “making up for lost time.”

Not coincidentally, these three pet industry linchpins are also responsible for the above average showing on the natural side of the market, since natural and organic products respond directly to the health and safety concerns of pet parents, generally target those higher-income households better able to afford them, and are at the center of the above-noted market momentum. For all appearances therefore, natural products are well positioned to ride out the recession, especially as new celebrity-backed lines—such as Rachael Ray’s Nutrish pet food (available at Walmart) and Cesar Millan’s wide array of Dog Whisperer products (available exclusively at Petco)—come on the scene, expanding the appeal of natural products in both the mass-market and pet specialty channels.