

Market Outlook [December 2011]

Still Tough Economy Mandates Proactive Holiday Retailing

As the holiday shopping season advances, the retailing pressure is on as consumer trends adopted during the “Great Recession” persist, from spending cutbacks to consolidated shopping trips. Signs of the times include price promotions across all sectors, with PetSmart and Walmart going more or less head to head in seeking to attract shoppers based on value appeals. To cope with the tough economy, many Americans have reprioritized shopping lists along essential vs. discretionary lines, reevaluated channel loyalties based on money-saving appeals, and traded across categories and brands.

Although the purse strings will undoubtedly loosen during the holidays as a function of gifting, the longer term trend suggests ongoing frugality. In Packaged Facts’ pet owner polls, the percentage of pet owners who agree with the statement “I shop for pet products at a variety of stores to find the best prices, special offers, and sales” was at 50% in 2010 and 2011 alike, with the “strong agreement” percentage rising from 16% to 20%.

**Level of Pet Owner Agreement with Statement:
“I shop for pet products at a variety of stores to find the best prices, special offers
and sales,” 2010 vs. 2011
(percent of pet owners)**

Level of Agreement	2010	2011
Strongly Agree	16%	20%
Somewhat Agree	34	30
No Opinion/Not Applicable	20	15
Somewhat Disagree	17	19
Strongly Disagree	13	16

Source: Packaged Facts *U.S. Pet Market Outlook 2011-2012*

Other trends also counsel an aggressively proactive approach to pet product retailing during the 2011 holidays and beyond, including declining channel loyalty. During 2005, 52% of dog/cat owners bought their pet products solely in any outlet, but by 2010 this figure had fallen to 40%. Collectively, pet stores are down in channel loyalty almost as much as discount stores, a clear sign of cross-shopping between the two channels. Similar trends come across when considering

the situation from the flip side, with the percentage of dog/cat owners who also shop for pet products in other channels rising significantly from 2007 to 2010 for pet stores and discount stores alike.

If this sounds like a warning, that's because it is. As National Economic Council Director Gene Sperling recently told Reuters Insider, "There still is a risk that this economy could stall out or even have a double-dip recession," and the White House admits that jobs growth has been disappointing. For retailers of all stripes, therefore, the best competitive stance is that every holiday sales dollar counts at least double as the nation's economic anemia lingers on.