

Market Outlook [September 2010]

Mass-Market Holds Great Potential for Natural, But Also Much Greater Competitive Stakes

The previous installment of this column speculated that Procter & Gamble would take its recently acquired Natura natural and organic pet food brands into mass-market channels in relatively short order. And it would indeed appear that the timing is right for such a move for a number of reasons, including consumers' heightened focus on product safety, the growing role of holistic/preventive pet healthcare, and the absence of a "true" natural pet food (i.e., a pet specialty cross-over) in mass channels. Additionally, some pet food consumers traded down during the recession, and they may now be ripe for more affordable options in premium pet food, including organic and natural.

Bearing out this assessment is a survey of 1,881 consumers conducted by Packaged Facts in May/June 2010. According to the survey, 39% of pet owners agree that they would buy natural/organic pet products more often if these products were more available where they shop, compared with 29% who disagree. Not surprisingly in this price-conscious era of economic doldrums, affordability is an even bigger issue than availability. Among pet owners overall, half (52%) agree that they would buy natural/organic pet products more often if these products were more affordable, compared with only 22% who disagree.

Just how big is the potential for additional pet market expansion into natural? Pretty darn big. Currently, only about 8% of all pet food sales and 3% of non-food pet supply sales are natural, figures that translate into approximately \$1.9 billion of total pet supply sales of \$29.7 billion in 2009. Almost \$2 billion is far from shabby—but bear in mind that this market is still in its infancy in terms of broadening out into mass, as human categories have and continue to do. Ever-increasing pet specialty vs. mass-market competition notwithstanding, this column believes that natural's "mass potential" could double that dollar figure within the next five years, reflecting a 15% compound annual growth rate for natural pet products.

The market upshot? Marketers and retailers invested in natural stand to gain while facing greatly increased competition, while those not so positioned had better be securely based at the value end of the market.