

Market Outlook [January 2010]

State of U.S. Pet Industry 2010 (aka Happy New Year)

Most economists agree that the worst of the recession is behind us, and as we look ahead there is reason for optimism. True to the pet industry's "recession resistant" claim to fame, sales rose 5 percent in 2009 to reach \$53 billion. And while 5 percentage points may not sound like a lot, it translates into two and a half billion dollars in sales of products and services added in the midst of the biggest economic crisis since the Great Depression. Sales of veterinary services rose nearly 10% in 2009, followed by pet food at 5%, non-food supplies at 4%, and other pet services at 4%. At present, veterinary services—the most directly health-related category—also lead in market share, at 35% of overall industry sales, followed by pet food at 34%, non-food pet supplies at 20%, and other pet services at 11%.

Behind these big numbers are some of the biggest names in consumer packaged goods, including Nestlé (Purina PetCare), Mars, Procter & Gamble (Iams), Colgate-Palmolive (Hill's), and Del Monte on the pet food side, where they together account for approximately four-fifths of sales. Major CPG marketers including Nestlé and Clorox also figure prominently on the non-food side, where they share the stage with pet market powerhouses including Central Garden & Pet and Spectrum Brands (United Pet Group). Pet services encompass national chains including VCA Antech and the pet industry's Big Two retailers, PetSmart and Petco. And still, the market as a whole continues to attract a stream of entrepreneurs and investors generating success stories à la Dogswell (food), Bamboo (supplies), and Bark Busters (services).

In sum, as we exit 2009 and enter the new year, the U.S. pet industry remains stable and full of opportunity. No, consumer confidence and spending will not rebound to pre-recession levels overnight. Nor can any market participant afford to sit back during 2010. But right now, in this moment, this is a business—with its marketers, distributors, retailers, service providers, and above all devoted pet owners—that has every reason to expect a Happy New Year and, looking further ahead, many happy returns.