

Market Outlook [October 2009]

Gearing Up for Pet Pampering

During the recession clearly health-positioned products and services have been faring reasonably well as marketers continue to tap into the all powerful human/animal bond. But what about the more discretionary side of the market—those products and services that tend to be viewed as non-essential and therefore more easily expendable—from indulgent treats and bling collars to blueberry facials? By most accounts this side of the market has been taking a hit, one bellwether being some first-ever softness in these areas of PetSmart's business. As company Chairman and CEO Phil Francis told investors during a third quarter fiscal 2008 earnings call, "We continue to experience weakness in our higher margin, more discretionary hard goods business, and our [second quarter] services sales growth dropped... Like many other retailers, we believe the weakening economy is impacting the discretionary spending of pet parents a bit."

That said, two tried-and-true approaches to fielding discretionary fare during tough economic times may resonate among pet owners looking for a little emotional relief. One is to position such products prominently and unabashedly as "affordable luxuries," since even the priciest doggie sweater is still a whole lot less expensive than that recently postponed ski trip to Aspen. Second is to be fully prepared for the consumer expenditures bump that typically occurs post-recession due to pent-up demand, especially when it comes to reinstating some of that guiltily postponed affection-driven spending.

Already looking to the future, Nestlé Purina is launching a new pet pampering product if ever there was one—Fancy Feast Appetizers—in mini sizes and gourmet varieties like Steamed Wild Alaskan Salmon in a Delicate Broth. The fruit of a three and a half year development cycle and Purina's biggest launch of 2009, the product responds directly to pet owners' desire to pamper their pets in good economic times and bad. For this reason, its marketing slogan—"Celebrate the Moment"—may also aptly describe what the folks at Nestlé Purina end up doing with regard to this new product concept, which seems certain to lift the spirits of pets and pet owners alike while also meeting the very real market needs for smaller serving sizes and new forms of treats.