

## **All Things Pet Health**

Directly related to U.S. pet market trends including humanization, premiumization, and pet aging and obesity/overweight is the desire of pet owners to invest in products directly beneficial to their pets' health, including those offering benefits both preventive and therapeutic. While in large part a function of the human/animal bond, this trend is also the result of a confluence of demographic and societal trends, including the tendency of Americans to be better educated about health issues. Underscoring the spill-over of Americans' interest in all things human-health-related is above-average growth in functional pet products—including supplements, pet medications, and other products health conditions, from heated pet beds to exercise toys to elevated feeding bowls; and in natural and organic products—which are viewed by many consumers as safer and higher-quality.

## **Product Safety a Growing Concern**

Heightened consumer concerns over product safety are a potentially game-changing factor for pet food and non-food supplies alike. On the food side, the issue took off with the devastating North American pet food recalls of spring 2007, which resulted in new government regulations now being implemented under the Food and Drug Administration Amendments Act of 2007 (FDAAA). Components of the new law include an early warning and surveillance system to help uncover adulteration in the pet food supply, and new regulations for pet food ingredient and labeling standards. On the non-food side, the safety issue resonates especially for ingestible products like supplements and chews, but it is also a growing factor in other areas. A number of pet toys manufactured in China have, for example, been deemed unsafe by virtue of their high lead content, a problem also identified in children's toys.

Attracting the most attention on the non-food side of the market are “spot-on” (topical) flea/tick control products, which along with other antiparasitics represent the largest pet supplies category by far. During 2009, the EPA began investigating a sharp increase in adverse reports stemming from the use of numerous chemicals and brands, and the inquiry was subsequently extended to include all EPA-registered flea and tick products. According to

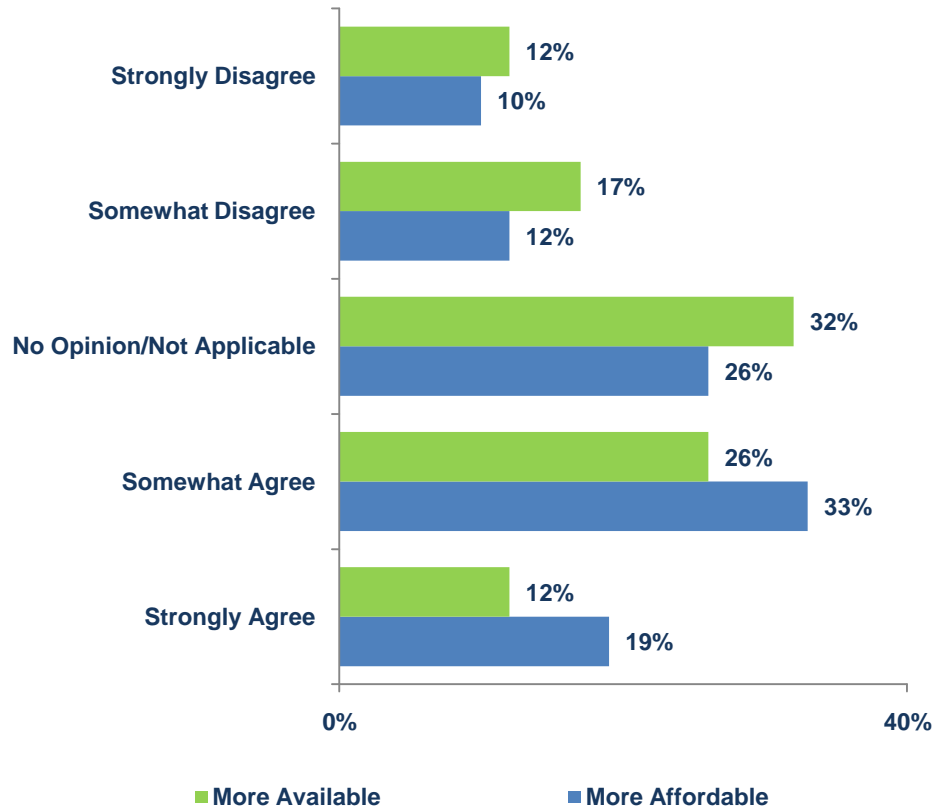
leading flea/tick spot-on manufacturers, improper dosing as opposed to product failing is the primary culprit here—and many of the EPA reports do suggest that pet owners have applied the products incorrectly. Nevertheless, following a lengthy investigation, in March 2010 the EPA outlined a plan calling for increased restrictions on spot-on flea/tick products, including clarified labeling with regard to proper dosing by animal weight and type.

## **Natural/Organic Products**

In the minds of most of the pet owners who purchase them, natural and organic products have always been associated with enhanced pet health and wellness, but the 2007 pet food recalls helped to cement this association. Although the recalls were on the food side of the aisle, the safety-related appeal of natural products also resonates in non-food categories such as supplements and chews, topical product categories like flea/tick spot-ons and shampoos, and even commodity categories like litter, where alternatives to traditional clay-based litter have been leading market growth for several years.

Given the link between “natural” and product safety, it’s no surprise that natural pet products are top of mind for pet owners, retailers and manufacturers. According to Packaged Facts’ May/June 2010 pet owner poll, 40% of dog owners and 38% of cat owners purchase some type of natural/organic pet food, treats or supplies. Moreover, nearly half (46%) of pet owners overall (i.e., including other animal types as well as dogs and cats) say they would buy more natural/organic pet products if they were more widely available, while almost two-thirds (64%) would do so if they were more affordable.

**Level of Agreement with Statements “If Natural/Organic Pet Products Were More Affordable / More Available Where I Shop, I Would Buy Them More Often,” 2010 (percent of U.S. pet owners)**



Note: Figures are based on ownership of dogs, cats, and “other” types of pets.  
 Source: Packaged Facts national online survey executed in May/June 2010 with a sample of 1,881. Survey sample was census representative on primary demographic measures of age, gender, geographic region, race/ethnicity, and household income.

Other key drivers in the natural segment include the growing involvement of top pet market players including Nestlé Purina, Mars and Iams on the pet food side, and of Sergeant’s, Central Garden & Pet, Spectrum Brands and Hartz Mountain on the non-food side. Another major recent development is the May 2010 purchase of Natura by Procter & Gamble, which suggests much wider distribution of Natura brands, including into mass channels. Also supporting natural pet market growth is a stream onto the scene of smaller marketers, as well as broad market factors including premium demographics and the aging pet population. “Natural” also remains a top thrust in new product introductions.

Based on these signals and trends, Packaged Facts expects natural pet products to continue to outperform the market as a whole during 2010 and beyond. In our July 2010 report, *Natural, Organic and Eco-Friendly Pet Products in the U.S.*, 3<sup>rd</sup> Edition, Packaged Facts estimates that sales of natural and organic pet products through all channels rose 132% from 2005 to 2010 to reach \$2.1 billion despite some recessionary slowing in annual percentage gains, and sales are

forecast to reach \$3.2 billion in 2014.

## **Functional Products**

Another primary component of the health/wellness push involves products making specific health claims targeting just about every condition imaginable, the key non-food categories being supplements and medications. Once again, this movement echoes trends in human products, where both of these same categories are multi-billion dollar businesses. Despite the lack of formal regulatory status of pet supplements, their sales rates continue to outpace those of non-food pet supplies overall. In our February 2008 report, *Pet Supplements and Nutraceutical Treats in the U.S.* (new edition available in January 2011), Packaged Facts estimates that sales of these products (including equine products) reached \$1.2 billion in 2007 and forecasts sales of \$1.7 billion by 2012, reflecting a compound annual growth rate of 8.5%. Market-driving factors include growing interest among U.S. pet owners, the aging and overweight pet population, the influx of new marketers and products, and increased usage and recommendation of clinically proven supplements by the veterinary community.

## **Pet Medications**

Sales of prescription and OTC pet medications are also going strong, and Packaged Facts believes this market to have good prospects. As detailed in our October 2008 report, *The U.S. Market for Pet Medications: Prescription and Over-the-Counter Remedies as Consumer Products*, as of 2007 sales at the retail level amounted to \$4.96 billion, inclusive of sales through veterinarians, brick-and-mortar retailers and online. Sales are expected to chart double-digit gains through 2012, bringing the market to \$8.6 billion while reflecting a compound annual growth rate of 11.6%.

## **Senior, Overweight and Special Needs Pet Products**

As discussed above, pet aging and obesity/overweight are key market drivers, and their impact adds up to billions of pet market dollars. According to Packaged Facts' September 2009 report, *The U.S. Market for Senior, Overweight and Disabled Pet Products*, U.S. retail sales of senior, weight management and special needs (SWM) pet products reached \$4.3 billion in 2008, up 41% over 2004 sales. During the five-year period from 2004 to 2008, the market

posted a compound annual growth rate (CAGR) of 8.9%, with medications (14%) and supplements (11%) registering the briskest gains. Packaged Facts projects that U.S. retail sales of SWM pet products will climb to \$6.7 billion in 2013, up 55% over 2008 sales. Accounting for 59% of 2008 sales, food is the largest market category followed by medication at 31%.