

***[For Issue 3/2008 of Pets International]***

## **PREMIUM PET DEMOGRAPHICS DOMINATE U.S. PET MARKET**

### **Pet Market Shifting in Upscale Directions**

Several interrelated trends are moving a growing share of the \$47 billion market for pet products and services into the hands and the pocketbooks of premium pet demographics. These trends include heavy marketing encouraging pet “humanization,” product upscaling, the entry into the marketplace of entrepreneurs with new brands and innovative products, the growth of pet boutiques and upscale independent pet specialty shops, and strong interest in premium pet products among non-traditional retailers.

Trumpeting this premium demographic shift, higher-income groups are steadily increasing their share of pet market spending across all four of the categories tracked by the U.S. Bureau of Labor Statistics’ *Consumer Expenditure Survey (CES)*: pet food, veterinary services, pet supplies and pet services. Based on these data, Packaged Facts estimates that households earning \$70,000 or more increased their share of the aggregate pet market expenditure by 21 percentage points from 1995 to 2005, from 28% to 49%. These figures represent more than a tripling in \$70K+ household expenditures, from \$5.2 billion to \$18.6 billion.

Among the most important premium demographics are couples without children, including DINK (dual-income no kids) couples and older “empty-nest” couples, which are growing in number. The percentage of two-adult households without kids who own dogs or cats rose from 48.8% in 2003 to 51.9% in 2006, such that these households increased their share of all U.S. households with dogs or cats from 32.2% to 34.5%, while all households without kids increased their share from 58.0% to 61.0%, according to Simmons Market Research Bureau consumer survey data.

Also underscoring, and helping to steer, the premium direction the market is taking is the surge in new pet products specifically designated as “upscale,” which was the No. 2 most commonly seen new product claim after “natural” in 2006. At 185, the number of new pet products tagged “upscale” was up 28% in 2006 over 2005, reflecting a 35% jump for pet food

and a 13% increase for non-food pet supplies in a single year, according to Datamonitor's Productscan Online service.

## **Premium Pet Demographics Comprise Six Cohorts**

According to Packaged Facts' August 2007 report, *Premium Pet Demographics and Product Purchasing Preferences*, one in three pet-owning households in the United States, or 17.4 million, qualifies as a premium pet household, defined as comprising three groups of dog or cat owners: single-person households with an income of \$50,000 or more; two-person households with an income of \$75,000 or more; and three or more person households with an income of \$100,000 or more. Over three-quarters (76.4%) of premium pet households own one or more dogs, nearly half (49.3%) own one or more cats, and over one-quarter (25.7%) own at least one dog and one cat.

Packaged Facts segments premium pet households into six cohorts: Affluents (households with an income of \$150,000 or more), Specialty Shoppers (households who purchase pet food and supplies only through pet stores or the Internet), Married with Children (households who comprise married parents with children still living at home), Empty Nesters (two-married-parent or one-parent households with no children still living at home), DINKS (dual-income households without kids) and Singles (one-adult households without kids). Affluents are the largest cohort, representing 9% of all dog- or cat-owning households and 28% of premium pet households, figures that translate into 4.8 million Affluent pet households. At about one-quarter this level are Singles, which number 1.2 million and therefore account for approximately 7% of premium pet households. All of the other four premium pet cohorts are significantly larger than the Singles cohort, numbering 3-4 million and accounting for 17%-22% of premium pet households.

## **Purchasing Preferences Skew Toward Health, Pampering**

Health and pampering are the themes that emerge when examining the types and brands of dog food and supplies that stand out among premium dog-owning households. Eighty-seven percent of these households buy the quintessential dog-pampering product—biscuits/treats—

compared with 79% of dog-owning households overall, indicating that the premium households are 10% more likely than average to pamper their pets in this way. Similarly, 77% of premium dog-owning households use heartworm control products, making them 13% more likely than average to do so. Premium dog-owning households are also characterized by the premium product varieties and brands they buy. Although these households are average when it comes to using dry dog food overall, they are 43% above average (index 143) for light/weight management foods, suggesting they are better educated about the growing threat of pet obesity and the associated negative health conditions. In the wet dog food category, premium pet owners are below average as purchasers overall, yet 10% above average (index 110) when it comes to purchasing senior varieties.

Compared with the trends among dog-owning households, the distinctions by product type and brand are generally less intense when comparing premium cat-owning households with cat-owning households overall. Nevertheless, more expensive, health-oriented pet products clearly emerge as strong areas of interest among premium cat-owning households.

## **What the Future Holds**

Marketers of premium pet products have only just begun to exploit many areas of the market. Looking ahead, the overall population of affluent and wealthy individuals in North America will grow to 37.7 million by 2010, up 24% from 30.4 million in 2006, according to a 2007 report by Celent, a consultancy that specializes in analyzing the high net worth market. Further contributing to heightened interest in premium pet products—and often associated with the senior pet trend—is the primary health angle of many of the newer products and services being offered, which should help to buffer the U.S. pet market from the increasingly difficult economic climate, as may the tendency of higher-income demographics to be less affected by such downturns.

Baby Boomers also figure prominently among premium pet households, including the 35-44, 45-54 and 55-64 age groups. Moreover, the age 55-64 group is even stronger among premium pet households (index 115, or 15% above average for qualifying as a premium pet household) than pet-owning households overall (index 110). On the other hand, the drop-off

among the older age groups of 65-74 and 75+ is much sharper among premium pet households than it is among pet-owning households in general, with the age 65-74 group indexing at 47 among the former compared with 82 among the latter. In both cases, therefore, the future health of the market for premium pet products and services clearly hinges on keeping aging Baby Boomers in the pet-owning fold.