2012

REPORT
ASSALCO - ZOOMARK 2012

FEEDING AND CARE OF PETS

SUMMARY DOCUMENT

In collaboration with

Introduction

The *2012 Assalco-Zoomark Report on the Feeding and Care of Pets* has been written by ASSALCO, the Italian Association of Pet Food and Pet Care Industries, and Zoomark International, in collaboration with SymphonyIRI and ANMVI, the national Association of Italian Veterinarians.

As in the previous editions, this important project has once again been implemented in 2012, with a view to providing the media and pet products industry operators with a general overview of market trends and the main tendencies of this sector.

Our country is growing increasingly fond of pets - there are pets in 41.7% of Italian households and animals are taking on an increasingly important role in the lives of Italians, who consider them as actual family members.

Indeed, despite the economic crisis, we note that Italians continue to provide their animals with healthy and safe foods, which are vital for their well-being, and to rely on pre-packaged foods.

The role of animals has developed considerably, from simple work tools to life companions. They also have an impact on our society, which is progressing considerably, also in its legislation, towards recognition of pets' basic rights, such as protection of their feelings or protection of their health in the event of road accidents.

The market reflects the growing awareness towards pets by offering increasingly advanced foods, accessories, medicines and services. At the same time, consumers are showing more and more confidence in industrial foods, designed to ensure a properly balanced diet which is essential for their well-being.

The ASSALCO-ZOOMARK Report, which offers compulsory reading every year for all those involved with pets, aims to give a scientifically sound response to the specific needs of a dynamic sector, provided by those who represent the pet food and pet care industry in Italy.

The ASSALCO - ZOOMARK 2012 Report is subdivided into four sections:

- **The Italian Market**, analyzing sector trends in the main Italian distribution channels, particularly the large-scale retail trade and pet shops
- **Foreign Markets**, offering an overview of trends and tendencies in the world market and a focus on the United States and the major European countries
- **The Veterinarian World**, illustrating data and updates on the role of the veterinarian and the importance of prevention and advice on nutrition
- **Society, Trends and Lifestyle**, which concentrates on current social changes in Italy, where in recent years the growing feeling for animals and awareness for animal rights issues are affecting the human-animal relationship and the attitude of public opinion towards animals. A section is also dedicated to pet owner profiles and to the benefits of living with a pet.

1 - The Italian Market

In 2011, the Italian pet food and pet care products market grew both in turnover and in volumes purchased, thus proving one of the few product sectors which has moved against prevailing trends in these times of crisis for consumption.

Dog and Cat Food

- 594.4 million Euros in the specialized channel
- 1009.6 million Euros in the large-scale retail trade channel
- a total of **1,604.0 million Euros** (corresponding to 536,900 tons in sales).

Once again, overall performance has been positive, as shown by the year's **+2,1%** growth in value terms in the dominant dog and cat food[1] segment.

Out of total volumes:

- 427,600 tons were sold through the grocery channel (+1.2% over 2010)
- 109,300 tons were sold through pet shops (-1.8% over 2010)

Other Pet Foods:
sales for over 20.8 million Euros (-0.7% - data confined to the large-scale retail trade).

Pet Care:
Accessories (hygiene, toys, other): 60.1 million Euros (+1.5% over 2010 – only large-scale retail trade)
Cat Litters: 61.7 million Euros (-1.9%)

There continues to be a moderate increase in dog and cat food sales **volumes**, which overall in 2011 led to a **+0.5%** increase for distribution channels taken together. In 2011, growth rates in the grocery channel were higher than those seen in pet shops, where volumes, for the second consecutive year, actually declined.

The **grocery** channel, on the other hand, increased its turnover by **+2.7%**, nearly two percentage points more than the growth in value terms in pet shops.

It seems, therefore, that the effects of the greater price sensitivity developed by consumers in the global economic situation have had more repercussions on the specialized channel.

Italians now seem aware of the importance of a healthy and proper diet for their animals' well-being, and will continue to feed them kibbles and canned foods despite economic difficulties.

The polarization of consumption has established itself as a major trend: consumer demand for quality and value added as opposed to value for money, convenience and savings. As regards foods, this means growing demand for products in the premium and superpremium brackets, which feature innovation and enhance nutritional value. The main trends are specialization in functional and therapeutic foods and in high-service content products, characterized by leading-edge packaging and small sizes.

Economy products are reaping equal success, especially private labels, to be found in great quantities in the large-scale retail channel; with a growing share, now at 25.1%, in the pet products category, these products can now offer quality perceived as satisfactory, competitively priced and affordable for everyone.

[1] Measured in the grocery-pet food channel

Geographic Distribution of Sales (Volumes)

More than half of pet food sales are concentrated in Northern Italy, especially in the North-West, which alone accounts for nearly one-third of total volumes.
The South is expanding considerably, the North-West and the Centre + Sardinia are virtually stable, while the North-East declines slightly:

- Northern Italy (53.1%)
    - North-West (32.3%; +0.1% compared to 2010)
    - North-East (20.8%; -1.4%)
- Centre + Sardinia (28.4%; +0.4%)
- South (18.5%; +3.8%)

The Pet Shops' Point of View (2012 Report Poll)

A sample of pet shops in Italy (202 points of sale) answered questions concerning:

- **Buying motives for foods** - consumers experience limited purchasing power but want to continue to feed their animals in a safe and proper way. They must therefore devote their main attention to basic choice criteria, on which most answers converge: value for money, quality and advice from the veterinarian or breeder. Sharp differences between the North and the Centre + South: in the North, there is a strong tendency towards issues relating to care and attention for the animal, i.e. quality of foods (54.9%) and veterinary advice (32.4%), and, even though value for money is an important factor which accounts for as much as 49%, it is less decisive for purchase decisions compared to the Centre and South. The Centre and South appear to be more influenced by available budget and in both areas the vast majority of those interviewed, around 90%, gave value for money as an answer.
- **Impact of the economic crisis** - Shop owners highlight a general decline in consumption: this answer was given by 42.6% of those interviewed, with a higher incidence in the North: 45.1% as opposed to 40% in the Centre and South. At the same time, however, in the North the shift in consumption from high-end to medium and low-end products has been less extensive than in other parts of the country (30.4% as compared to 38.3% in the Centre and 45% in the South).
- **Future expectations** - We asked shop owners which market segments were most promising in terms of growth in the coming years. The general reaction reflects recent trends in the pet shop channel, which appear to confirm that the near future holds a positive outlook for dry dog foods and wet cat foods, especially in the premium and superpremium ranges for both. Specialty shops, therefore, expect that, despite the indisputable impact of the economic situation in past years, demand for premium and superpremium products will continue and grow stronger; this encourages them to focus on this offering as a characteristic and distinctive feature by comparison with other distribution channels. As regards pet care products, shop owners give special mention to health and anti-parasite products, which are connected with owners' basic need to guarantee their animals' health and well-being; also, attention for budget is more marked here than in the food segment, as consumers are inclined to prefer products which are essential for basic care, such as hygienic cat litters or anti-parasite products, rather than other accessories.

The Point of View of Shop Owners Specializing in Aquaria (2012 Report Poll)

The direct poll was conducted on a panel of 50 points of sale specializing in aquaria:

- **The typical aquarium shop customer** - In 72% of cases shop owners state that customers who visit their shops are males and go to the shop by themselves. Families with children come second (64%), while the percentages of families without children and of women are low (14% and 12%, respectively).

- **On what basis do consumers choose aquarium products (aquaria, pumps, filters, lights, etc.) and fish foods** - In choosing different aquarium products (86%) and foods (80%), customers tend first of all to turn to shop owners for their experience and advice. For foods, brand awareness and loyalty are important (30%), while these are useful but less important for other products (22%).
- **Challenges for the sector** - The main perceived threat is from e-commerce, as pointed out by 62% of those interviewed, complemented by competition from other channels (20%), such as the large-scale retail trade and the specialized trade, especially garden centers.
- **The most useful investments for points of sale** - According to shop owners, the most convincing investments already made or to be made to improve business performance aim for enhanced visibility for live animals departments (40%), which can attract consumers' attention, or greater visibility in general for points of sale, e.g. by relocating to a large shopping mall (34%). The aquarium sector covers a market niche, and obtaining visibility is of itself important for this sector: 14% of shop owners point out the need for advertising, also on such non-traditional media as the internet.

The Point of View of Garden Centers (2012 Report Poll)

Interviews of 69 operators concerning their perception of pet segment trends and prospects in garden centers:

- **Percentage of business deriving from pet products** - For garden centers, turnover from pet products is important, though it is not their core business: for 17.4% of points of sales surveyed, the pet department accounts for 10% of overall garden center business, while more than 63% of those interviewed believe that it accounts for between 15% and 20%. Greater percentages of business, such as 25 and 30%, are reported by 7.2% and 5.8%, respectively, of those interviewed, while percentages in excess of 30% are reported by a very minor proportion, i.e. little more than 5%.
- **Percentage of business deriving from pet food alone** - Food is not the substantial segment: pet care products are those which attract most sales in this channel. Nearly 70% of those interviewed state that pet food accounts for 10% to 15%, about 23% believe that it is worth less than 10%, and only 10% of those interviewed think that it accounts for between 20% and 30% of this department's value.
- **Percentage of sales surface dedicated to the pet department** - 71% of those interviewed dedicate between 15% and 30% of the surface to pet products, and a peak of 30% reply that 20% of available space is for the pet department. 20.2% on the other hand dedicate 5% to 10% of the surface and a minority of 8.7% more than 35%.
- **Subdivision of spaces for pet products** - The surface dedicated to pet products in garden centers is subdivided in a rather uniform manner among the various product categories. 45.3% of space is dedicated to pet food, with a slight prevalence of dog and cat foods (25.3% compared to 20% for other animals), while the remaining 54.7% is represented by accessories, toys, hygiene and aquarium products.
- **Future investments** - To attract pet owner customers, nearly 80% of those interviewed envisage services closely connected to the ownership and care of a pet, such as grooming. Services and activities complementing sales come next, such as home delivery (47.8%), animal pensions (31.9%) and, at 23.2%, the possibility of leaving animals while one goes shopping (23.2%), besides, of course, enhancing pet department visibility.

2 - The International Context

The world pet food market is worth 65.8 billion dollars and registered 3.9% growth over 2010. Various factors such as, for example, the change in international consumer lifestyles, the greater number of singles and of elderly people living alone, together with a decreasing birth rate and changing family models, have increasingly modified people's attitudes towards pets, which in many parts of the world are now looked upon as actual family members.

The spread of a different attitude towards pets, together with increasing urbanization, has contributed significantly to the increase in the number of pet owners, in turn driving greater demand for pet foods.

The pet food market is forecast to reach 95.7 million dollars in 2017[2]. Consumer receptiveness for premium products, different nutritional needs arising from longer average pet life, ever greater availability and visibility of pet food in distribution channels and ever increasing awareness for the connection between healthy feeding and physical well-being will be the guiding factors of pet food sales in the future.

The Report then goes on to focus on the United States and the major European markets. Expenditure on pet products in the USA market reached 50.4 billion dollars (about 39 billion Euros). Expenditure on pet food was nearly 20 billion dollars and increased by 4.1% compared to the preceding year. Despite the economic situation, expenditure on food and accessories for one's pets does not decline, nor does interest in the premium and superpremium products bracket.

In Europe (taking into consideration Italy, France, Germany, the United Kingdom, Spain and the Netherlands), sales have increased in value terms, though to a limited extent: +1.6% in 2011. An overview is then provided of the Western European area, particularly of the main European markets, i.e. the United Kingdom, Germany, France and Spain. For each of these markets, trends, peculiarities and attitudes of pet-owning consumers are highlighted, in a general economic crisis context.

3 - The Veterinary World

In this section, the results of a survey on pet owners (conducted by ANMVI and ASSALCO in collaboration with SIMV) and data from a poll carried out by ASSALCO, involving 181 veterinary offices and clinics throughout Italy, are analyzed and placed in relation with each other.

Cross-analysis of these data provides a glimpse of the role, use and development of the veterinarian. We thus discover that pet owners tend to be loyal towards their veterinarian, that prevention is the main reason for check-ups, but also that sterilization is often the reason for a visit to the vet, another mark of a tendency towards more responsible attitudes on the part of owners.

Owners seek the veterinarian's advice when the animal is suffering from an ailment, but generally they want to know which are the most suitable foods for their pets in that specific stage of life and/or health condition, in order to help improve or preserve it.

A considerable number of owners who consult a vet choose industrial pet foods for their animals, which indeed offer a balanced and targeted combination of controlled and specific ingredients and nutrients, as opposed to less specific home-produced feeding (or a combination of the two).

[2] GIA – Global Industry Analysts , "Pet Foods: A Global Strategic Business report", 2011

The Veterinarians' Point of View (2012 Report Poll)

During the first two months of 2012, 250 small-animal veterinarians were interviewed, representing the various Italian geographic regions.

- **The most recurring diseases** - the three diseases most mentioned by veterinarians interviewed were, rather consistently across the North, Centre and South, in decreasing order: food allergies and intolerances, kidney problems, problems connected with ageing. Fortunately greater attention has been paid in recent years towards the problem of intolerances, ranging from the demand for definite diagnoses and for recommendations by vets to the many prevention and cure opportunities which the pet food market, too, now widely offers.
- **Reasons for visits** - prevention is the main reason for a visit to the vet: according to 92% of those interviewed, the first reason concerns tests, checks and periodic vaccinations which contribute to disease prevention, while only 27% mention emergency care.
- **The most requested advice** - The most requested advice is on nutrition, as stated by 66% of those interviewed, followed by requests concerning advice and suggestions on how to prevent disease in their pets (55%). It is twice confirmed, therefore, that the health of one's pet and a proper diet come before any other concern.
- **Foods for fit animals** - 88% of veterinarians advise clients to feed their animals industrial foods, which best ensure suitable wholesomeness and the complete range of nutrients required to preserve their pets' health and well-being. 40% advise specific industrial foods, 25% generic pet foods, and 23% feeding with premium or superpremium foods.
- **Foods for animals that are not fit** - If there are ailments and diseases, as many as 73% of the veterinarians involved advise specific foods based on the pet's characteristics, while 10% replied that they suggest generic industrial foods, and 17% higher quality industrial foods. Only a negligible 1% view a combination of industrial and home-produced foods as an option.

4 - SOCIETY, TRENDS AND LIFESTYLE

The final section opens with a presentation of the new product labeling requirements, whose aim is to ensure the utmost transparency and clarity for consumers. All the information provided on the label must be clear, accurate, easily understandable and scientifically sound, both with regard to product composition and to its characteristics and instructions for use. The new legislation also extends the very definition of labeling to all messages targeting consumers, including leaflets, websites and advertising, in order to ensure that information is always clear, truthful and transparent.

Data are then presented on the pet population in Italy and on procedures for registration in the new Pet Registers. Supporting Eurispes data show the increased attention on the part of Italians for our four-legged friends.

Based on data collected by the survey on pet owners conducted by ANMVI and ASSALCO in collaboration with SIMV, the owner's profile is described, also analyzing how pets enter into households and the age of relationships, i.e. for how many years the pet has been in the family.

A chapter then follows which focuses on the mutual enrichment that humans and pets draw from their relationship, starting from the development that relations with pets have undergone over the years and on the usefulness that pets, especially dogs, continue to have for the community and for individuals.

Thanks to the contribution of some Italian and foreign university research, there is a focus on pets' contribution to humans through pet therapy, in the case of individuals with diseases or disabilities, but also in the daily lives of normal people (from infancy to old age), who can draw great physical and psychological benefit from living with a pet.

Children:

- **A pet reduces the risk of allergies** - Living with a dog in the first year of life reduces the risk of allergy to dogs by 50%, especially in boys, while both males and females who have grown with a cat have 48% less chances of becoming allergic to cats.
- **A dog to overcome shyness in reading** - Children in elementary school who were too shy to read aloud or had reading difficulties were given the support of dogs trained to listen to them patiently. Reading aloud to these special listeners helps increase children's self-confidence, their respect for dogs and their love of reading. As early as their second encounter with the dog, children show greater reading fluency.
- **Emotional support from dogs** - In case of difficulties during growth and in the personality development phase, a dog can contribute to dampen these problems, thus increasing that person's self-confidence. Research has investigated the role of pets in mitigating feelings of isolation and social exclusion: in difficult situations, especially in the face of social rejection, talking about one's pet is effective and strengthens self-confidence, driving away bad memories of rejection or abandonment.

Adults:

- **Pet owners are happier** - According to British research, living with an animal affects one's happiness and contributes to improving health. Nearly 60% of those interviewed who live with an animal stated that their pet makes them happy, while a similar number declared that passing time with pets makes them feel more relaxed. Nearly one-third of the sample stated that their pet contributes to their optimal state of health. 81% of those interviewed agree that "pets are the antidote to a bad mood". Pet owners, especially, state that often in times of difficulty they turn to their pets first rather than to their companion or to chocolate.
- **Pet owners are more sociable** - According to other research, pet owners appeared more sociable and with an inclination for giving social support to the less fortunate. It has been observed that pet owners are more extrovert and sociable than those who do not own a pet. This research therefore does away with the myth, which unfortunately still enjoys wide credit, that animal lovers do not love human beings as much, and that the attachment for one's pet conceals a lack of social relations with fellow humans. On the contrary, researchers state that those who have an animal tend to be more extrovert and active, and that the relationship with a pet enriches one's social ties rather than competing with them. Pet owners are also more inclined to exchange favors with their neighbors, to enter into contact and interact with them and to befriend them.
- **Benefits from the human-animal relationship in times of difficulty** - A scientific study examined the essence of the bond with an animal and how this bond can reinforce human resistance in times of crisis, during adversity and changes (relocation, divorce, loss of a loved one, adoption, etc.). The well-being and the contribution to psychological and physical healing that a pet is able to provide lead to a series of advantages in terms of relations: reduction of stress, desire to play, feeling at one's ease, feelings of security, affection, love.

The elderly:

- **Importance of pets for the elderly** - Pets for the elderly are a true boon, in various ways. According to Pets for the Elderly, the worst disease for the elderly is not heart disease nor cancer: it is solitude. For this reason, they encourage people over 65 to adopt dogs and cats. Elderly people who have participated in this project later contributed to understanding the benefits of living with a pet, indicating ten good reasons for suggesting to other elderly people that they adopt a pet: they reduce blood pressure, drive away depression, help to relate with others, keep one active and bring many other benefits.
- **Pet ownership helps to protect from heart trouble** - According to a scientific study, the life expectancy of those suffering from chronic heart trouble and own a pet is longer compared to those having the same ailment but who do not own a pet. Originally it was thought that dog owners, especially, had an advantage as they were inclined to exercise to take them out for their walk. But the study showed that benefits are also found in owners of cats or even iguanas or canaries, which do not need to be taken outside for walks. It has been

confirmed that pet owners' hearts are more flexible in adapting to change: in practical terms, they reacted better to changes in rhythm, thus responding to stress situations. It is thought that this may derive from the presence of pets in these people's daily lives and from the emotions that they arouse, which keep the heart in shape.

Humans' increased sensitivity towards pets can be noted from various viewpoints. Pets are kept in houses with ever greater care, while awareness campaigns against abandonment have led to an increase in the number of tourist facilities open to animals. There is, however, room for improvement, as can especially be seen in public transport, which is not yet completely pet-friendly.

Italian legislation increasingly acknowledges pets as holders of rights, such as the right to the protection of feelings or to health protection in the event of a road accident. For the first time, a court ruling has established by law that pets have the right to visit their owner in hospital.

The rights of pets must be protected on a daily basis. The final chapter contains a series of useful items of advice on how best to care for one's pets, the first of which is to follow the advice of veterinarians.

Feeding, especially, is of fundamental importance for the protection of pets' health. Specific feeding, attention for hygiene, dedicating them time, offering pets scope for play and rest, can be done without too much expense.

The chapter concludes with data on pet longevity. Thanks to the many innovations in the fields of medicine and nutrition, they actually live longer and they, too, experience a more prolonged old age, during which they require attention in various respects. And when the time comes for our pet to leave us, funeral services are available in Italy, too, to give pets a proper burial and help us to remember them over time.