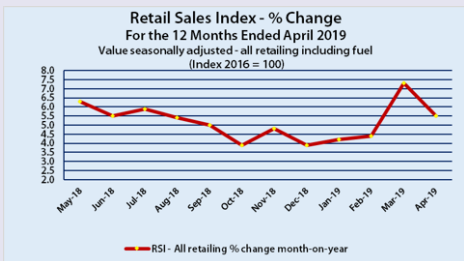


### Pet Products Industry



“  
 Mintel’s research  
 showed that 57% of  
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 purchased additional  
 pet products...  
 ”



Retail sales index - % change month-on-year



#### UK Market

A recent study from Mintel revealed 59% of British consumers own a pet, and this figure is even higher amongst full-time workers at 66%. The report stated, “Proving dogs really are man’s best friend, ownership peaks among men, with 35% of men owning a mutt compared to 31% of women, and younger Millennials aged 19-28 with 42%. Meanwhile, cat ownership peaks among Brits aged 25-44. And while the age-old argument over whether cats or dogs are better is guaranteed to send owners into a frenzy, it seems that dogs have the edge, as a third (33%) of Brits own a dog versus three in ten (29%) who own a cat.

Mintel’s research showed that 57% of UK pet owners purchased additional pet products including pet toys, flea treatments, litter/sanitary products, leash/collar, grooming/washing equipment, pet furniture, pet clothes and pet tech, with toys being the number one pet care product purchased at 37%.

The study found that 51% of UK pet care buyers say they would rather cut back spending money on themselves than on their pets. The number was even higher at 54% amongst Britain’s Millennials aged 19-38 who are pet care buyers.

Chana Baram, Retail Analyst at Mintel, said, “As pets increasingly become viewed as family members and are ‘humanised’, pet owners are willing to offer them their own products and unique items, which often carry a higher price tag, and help to drive category growth. This ranges from animal-friendly pancakes and wine to dog hiking boots and animal sleeping bags. While the more pampered of pooches even enjoy dog beds with memory foam mattresses. Our research shows that Millennials are particularly devoted to their furry companions. As the age of having children increases, we know some young people are opting to first get a pet and treat them as a family member. Additionally, there are many pet ‘influencers’ on social media, which are likely to appeal to the Millennial demographic, such as ‘Doug the Pug’, a dog with 3.6 million Instagram followers.

Baram added, “There are already pet Christmas and birthday presents available from a number of retailers, but the willingness to spend just as much on a pet as a friend shows that there is an opportunity for retailers to offer more event-specific products. Having pet products for seasonal events such as Valentine’s Day would likely prove popular with young consumers, and this could extend to other key events such as weddings or funerals.”

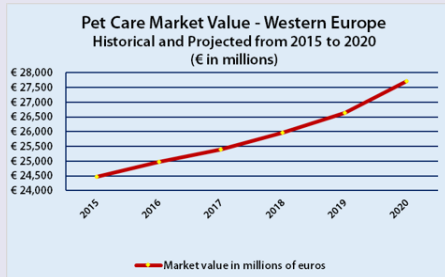
Mintel research reveals that 30% of Millennial pet care purchasers say they like their pet to keep up with the latest trends in clothes and grooming styles, which compares to 19% of all buyers. The study found that 40% of these pet care buyers would spend just as much money on their pet at special events such as Christmas or their birthday as they would on a friend. This compares to an average of 32% of all buyers. Meanwhile, some 38% of Millennial pet food buyers say they are interested in buying human-style pet food made by regular food brands compared to 29% of all buyers.



#### EU Market

Approximately 70 million European households have at least one pet, and according to research firm EuroDev, Europeans are spending more on quality pet food, accessories and medical treatments due to humanisation trends. The largest EU markets are France, Germany and the United Kingdom and the leading distribution channels are supermarkets and specialist retailers with 57.5% and 35.2% of the market, respectively.

### Pet Products Industry



Pet care market value – Western Europe

“  
*The pet care market in Western Europe has seen steady growth ... according to Statista, the market was valued at €25,969 million in 2018 and is projected to reach €27,717 million in 2020.*  
 ”

Data from Statista indicates cats are the most popular type of pet in Western Europe. The pet food and accessories market reflects this, with the cat food market share estimated to be 50.3%, nearly 14% larger than that of dog food.

The pet care market in Western Europe has seen steady growth that is expected to continue. According to Statista, the market was valued at €25,969 million in 2018 and is projected to reach €27,717 million in 2020.



#### Market Outlook

Mintel expects the value of the UK pet care products and services market to reach £2.1 billion by 2023, a 25% increase from an estimated £1.7 billion in 2018. The expected growth for the European pet food market is 4.8% during the forecast period from 2018 to 2023, according to EuroDev.

Market Research Engine reported the global pet care market is expected to grow at a CAGR of 5% during the forecast period from 2018 to 2024. Mordor Intelligence predicts slightly stronger growth at the rate of 5.8% during the forecast period from 2018 to 2023 owing to increasing product innovation, customisation and affordable pricing of pet care products across the globe

### UK Economic Climate



#### UK Retail Sector

March 2019 data from the Office for National Statistics (“ONS”) showed sustained growth throughout the first three months of the year. In Quarter 1 2019, the quantity bought in retail sales increased by 1.6% when compared with Quarter 4 2018.

The most recent figures published in May 2019 revealed that in the three months to April 2019, the quantity of goods bought in retail sales increased by 1.8% when compared with the previous three months.

Both the amount spent and quantity bought in the retail industry showed growth of 5.5% and 5.2%, respectively, in April 2019 when compared with a year earlier. Growth was seen across all sectors except household goods, which fell by 4.5%.

The quantity bought was flat in April 2019 when compared with the previous month, with growths in clothing, non-store retailing and fuel offset by falls in all other main sectors.

In April 2019, online retailing accounted for 18.7% of total retailing compared with 17.7% in April 2018, with an overall growth of 10.1% when compared with the same month a year earlier.



#### Consumer Spending

Research from PwC indicates consumer spending should moderate to around 1.5% in 2019 as stronger real wage growth is offset by slower jobs growth, a gradual rise in interest rates and subdued house price growth.

Pet Products Industry

Recent Trends



**Healthy and Eco-Friendly Products**

Growing demand for more transparency in pet care product ingredients from pet owner has been changing the market dynamics over the last few years. To cater to this consumer demand, major players in the market have developed specialised pet food products.

Mordor Intelligence explained, "Controlling the negative impact of food in the form of diseases and allergies is essential for the growth of the pet food industry. The major challenge here is to find and avoid the food ingredients responsible for skin and gastrointestinal conditions, allergies and diseases. Additionally, key players are focusing more on specialty pet food which includes grain-free, non-GMO and allergen-free pet foods."

Demand for pet accessories such as pet toys and training instruments is primarily driven by affordability and product availability; however, growing preference for toys that are eco-friendly is playing key role in increasing the sales of pet care accessories across the globe.



**E-Commerce Competition**

Retailers are innovating online by offering automatic replenishment of pet food, curated subscription boxes and customisable pet food orders. Subscription shopping and customisation are reshaping the online pet retail market, offering pet owners convenience, personalisation and opportunities for discounts and savings, according to Jared Koerten, Industry Manager for Food & Nutrition at Euromonitor International.

Large online retailers typically offer a significant discount on the first instalment of a new subscription order, with additional discounts also applied to subsequent shipments. Koerten explained, "As low prices are a primary driver for internet retailing in general, the potential for recurring savings from automatic replenishment orders represents a significant competitive advantage."

Euromonitor's report added that two major industry players, Blue Buffalo and Hill's Pet Nutrition, both state that approximately 50% of their online sales are subscription orders.

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