

Background

The Consumer and Market Analysis Group purchases Market Research Reports in order to understand the possible changes in consumer behaviour and the potential for our industry to capitalize on these changes. One such report purchased is *Fresh Pet Food in North America*. The report was published by Packaged Facts in July 2008.

The North American pet food market, as defined by this report, consists mainly of raw diets sold in frozen form to consumers in the United States and Canada. The definition also includes refrigerated or frozen pet foods that have been lightly cooked, freeze-dried or other processes of dehydration.

Packaged Facts estimated that for 2007 the North American retail sales of fresh pet food to consumers at approximately \$169 million, with roughly 90% of sales taking place in the United States and the balance in Canada. This figure reflects a 38% compound annual growth rate for the 2003-2007 period. While this trend was expected to continue through 2012 they estimated a more modest growth rate of 23% bringing sales to \$473 million.

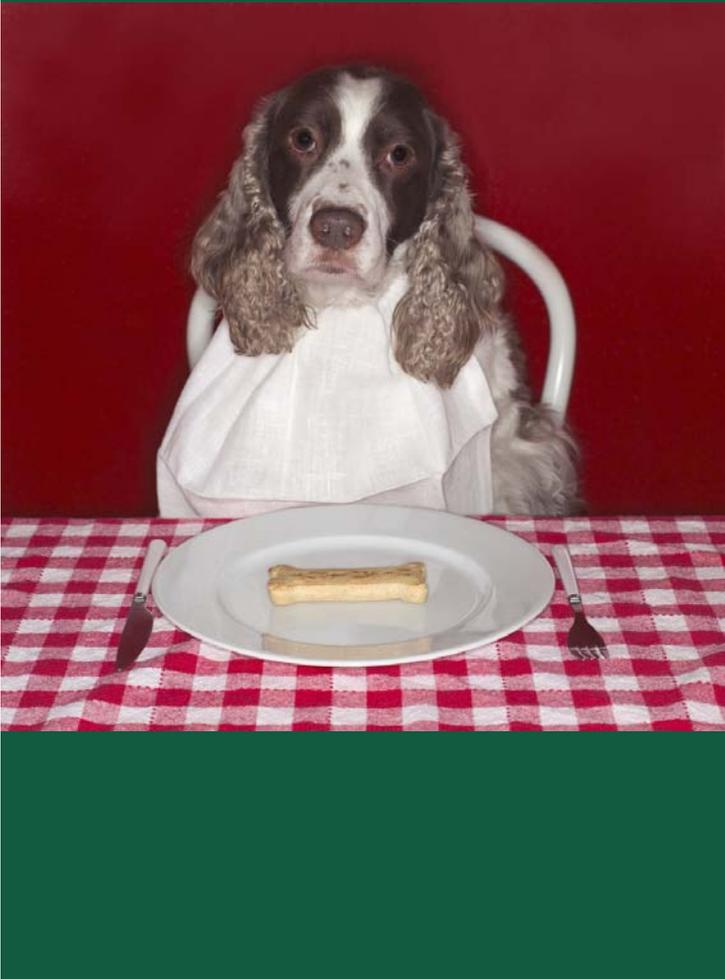
Source of information:

Packaged Facts—*Fresh Pet Food in North America* report published in July 2008

Packaged Facts is a leading publisher in the United States of market studies in the food, beverage, consumer packaged goods, and demographic sector.

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Fresh Pet Food in North America

By Sarah Oliveira

Market in Context

Valued at under \$200 million at retail in 2007, raw/frozen pet food accounts for just under one percent of total pet food sales. Despite this smaller size these “alternative” pet food types are growing significantly faster than the five to six percent annual rate of sales increase in the pet food market as a whole.



Who is Buying this Food?

Although no formal survey data has been collected on the demographics of this group when they spoke to the pet food industry experts a profile started to emerge. Packaged Facts believes that the consumer base for raw/frozen pet foods can be accurately summed up as at least 75% female, although more men are getting involved in the raw foods movement. Women’s preponderance as raw foods purchasers is a function of their making most family pet care decisions and of their tendency to be more involved with health and nutrition matters in general.

In addition, this market’s roots are in more affluent and better educated segments, in part because the movement was taken up early on by breeders and trainers, who tend to deal with higher-income clients although the market today is opening up. Word-of-mouth expansion of the health benefits of raw diets, coupled with the greater availability of more affordable options, has caused the market to expand to include consumers across a broad income spectrum.

The fledgling refrigerated segment appears to be attracting a demographic more in line with that of mid-level super premium traditional pet foods, whose purchasers tend to skew upscale in terms of education, income, home ownership, etc.

The core market driver for this product is health. The dollar sales growth has been coming from the conversion of pet owners to higher priced fare, and the single most important factor behind pet owners’ willingness to pay more for the pet food, is the belief that better quality foods offer pet health benefits both preventive and therapeutic. As a clear indicator of this trend, consumer interest in functional pet foods is strong and growing. Fresh pet foods fit the premium pet food health bill perfectly, appealing to pet owners not just on the basis of freshness, which is also one of the hottest button issues in human food marketing today, but also on the basis of the products being able to improve pet health. Proponents of raw diets, including those for humans, claim and scientific studies support, that fresh foods retain more of their nutritional elements in a more natural state since they are minimally processed and not subject to high heat.

Holistic vets are an important and growing source of recommendations, in some cases prescribing raw diets not just for general health benefits but as part of an alternative therapy for treating serious diseases.

Although veterinary practices specializing in holistic pet care still accounts for only five percent of all veterinary practices, the number of holistic veterinarians is growing at a steady clip. This is in part because of the entry of more women into the veterinary field overall.



Growth of Internet as Pet Product Marketing Venue

The internet is estimated to be the fastest growing sales venue for pet products in the United States, driven by more marketers and retailers using the medium as well as the above average likelihood of pet owners to shop via internet and rely on it for information. This is especially good news for “info-centric” holistic products like raw pet food, whose grassroots word of mouth spread has been made possible in large part by internet communications. The ability of this medium to help educate pet owners about the benefits of raw diets and how to use them is invaluable. The internet hosts a virtual community of raw food devotees

who exchange information and tips through websites, chat groups, blogs and email.

Is fresh/frozen pet food here to stay?

As consumers look to healthier food for themselves, they are also looking at healthier food for their pets. Since fresh/frozen pet food is minimally processed it is closely aligned to the consumers own preference for local, healthy and more natural foods.

