China: Changing Attitudes to Pet Ownership Drive Pet Food Sales

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China: Changing Attitudes to Pet Ownership Drive Pet Food Sales, by Euromonitor International

Pet ownership in China is on the increase and attitudes towards pets are changing, with Chinese people demonstrating greater love and care towards their pets, according to the latest report from Euromonitor International.

Chinaâ€™s fast-paced economy and increasing levels of disposable incomes are having a positive impact on the pet industry. New research from global market analyst, Euromonitor International, shows that pet ownership in China substantially increased between 1999 and 2004. Driven by the growing population of pets, demand for pet food products has also been stimulated to a large extent. Although small in scale compared with Western developed countries, the Chinese pet food market offers high growth potential as it becomes increasingly regulated.

Growth of Pet Food
Owing to the Governmentâ€™s relaxed control in the breeding of cats and dogs, dog and cat ownership grew rapidly between 1999 and 2004. Euromonitorâ€™s latest research shows that the percentage of the Chinese population owning dogs and cats increased from 5% and 14% respectively in 1999 to an estimated 7% and 15% in 2004, which indicates the increasing popularity of dogs and cats in China. Hence, Euromonitor International estimates sales of dog and cat food reached nearly RMB1.6 billion in 2004, representing current value growth of 13% over the previous year. Sales of other pet food such as bird food and fish food were valued at RMB3.9 million in 2004, up by 11% in current terms from 2003.

Market Insight
Chinaâ€™s pet population has grown by a remarkable 20% in five years, from 240,799,000 in 1999 to 291,315,000 in 2004. Euromonitor suggests that the first contributing factor is associated to one-child households and a growing ageing population. Smaller family sizes have helped to create a greater demand for pets, which are seen not just as animals, but as true extensions of the family. In this context, the family pet is seen as a companion to the child and then, when the child grows up and leaves home, a source of comfort to the parents. Second, a change in perception is taking place with pets increasingly being seen as companions particularly for many urban dwellers, who, with their higher levels of disposable incomes, are willing to spend more on their pets. Third, as Chinese society is going through an unprecedented transformation, interpersonal relationships have become more complicated than ever. As result many people now depend on their pets to relieve stress and loneliness. Finally, Euromonitorâ€™s research shows that for many young adults, keeping a pet also stands as a fashion and identity statement.

With the further development of the above factors, Euromonitor forecasts that the pet population will continue to grow strongly between 2004 and 2009, thus creating lucrative sales opportunities for the pet food industry. Sales of pet food are mostly generated in big cities such as Beijing, Shanghai and Guangzhou.

Major Players in the Market
The US-based food giant Mars dominates the pet food market in China with its two famous brands, Pedigree and Whiskas, owned by Effem Foods (Beijing) Co Ltd. The companyâ€™s wide choice of products and high brand awareness among consumers helped it to take the lionâ€™s share of 58% of retail value sales of dog and cat food in 2004.

Other pet food products are mainly produced by domestic manufacturers and typically sold in outdoor markets. Unpackaged and semi-processed plant seeds and crops are generally sold as bird food. The absence of dominant national or multinational players makes other pet food highly fragmented in various regions across China.

Owing to the heavy presence of local players, foreign other pet food producers were at a disadvantage in terms of price competition. They also had to face restrictions on import and distribution rights as well as local rampant protectionism. Euromonitor International does not expect this situation to change in the short to medium term as foreign players are still adopting a wait-and-see strategy and are wary about the local erratic customs regulations.

Through mergers and acquisitions, global players strengthened their product offerings and beefed up investment in production facilities, thus further reinforcing their competitiveness in the local market. Domestic players are making efforts to improve product quality and vie for sales opportunities in the medium price segment. However, due to low brand awareness, local brands still mainly cater to low-end and mass consumer needs.

Prospects for the Market
According to Euromonitor International the outlook for pet food market in China is set to be promising. Sustained

economic growth and increasing pet ownership hold the key to continued growth over the next five-year period. Pet food, especially dog and cat food, are expected to develop as foreign major players increasingly see China as a lucrative pet food market. As a result, Euromonitor expects that a wider variety of new products will enter the market to cater to the progressively sophisticated tastes of Chinese pet owners.

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