

# PET THERAPY: THE RETAIL OPPORTUNITIES OF THE PANDEMIC PET BOOM







## Foreword

Welcome to Mars Petcare's second annual 'State of the Pet Nation' report, an in-depth review of the past year in one of FMCG's most dynamic and fast-growing categories and an exploration of how the market will continue to evolve over coming years. We hope that all our retail partners find this report a valuable guide that helps them unlock further value out of the petcare category and create a better world for pets together.

These are exciting times for petcare. Britain is in the midst of a pet population boom, driven partly by the pandemic and growing understanding of the benefits of pet ownership on our mental and emotional wellbeing. This, in turn, is driving an acceleration of growth for this £3.5bn market, which we expect to achieve annual compound growth of 8.7% between 2019 and the end of 2021.<sup>1</sup> Clearly, this presents big opportunities for retailers.

It's not just the 10.7% rise in Britain's dog population or the 3.3% increase in cat numbers seen in 2020 that suggest the future is bright for the category.<sup>2</sup> As we explore in the following pages, the demographics of pet ownership are changing too. There's a growing preference for pedigree cats and dogs, particularly smaller 'toy' dog breeds that tend to live longer than larger breeds, for example. The reward for retailers that offer the right products for the right pets at the right life stage is a lifetime of loyalty.

The new generation of pet owners tend to spend more on their furry friends too. Over the turmoil of the past year, pet-owners have developed much closer relationships with their furry friends: 55% say they are interacting and playing more with their animals; 27% use more toys to play with them; 24% are washing or brushing them more often; and 18% are treating them more with wet food and treats.<sup>3</sup>

New channel dynamics are also emerging out of 18 months of successive lockdowns and disruption. The rewards will be huge for retailers who respond to the growth in online sales and the rising demand for specialist services and products to keep Britain's kitties and pooches happier and healthier for longer.

Of course, we'll be there with you every step of the way. We hope you enjoy this report and find it to be a valuable resource. We also look forward to discussing how we can work together to maximise the opportunities soon.

### **Zoe Taphouse**

Category & Market Activation Director  
Mars Petcare UK



<sup>1</sup> NIELSEN, CUSTOMER DATA AND PANEL ESTIMATION  
<sup>2</sup> MARS PETCARE PET POPULATION REPORT 2020  
<sup>3</sup> KNOWLEDGE HOUND PET STUDY 2020



# PART ONE

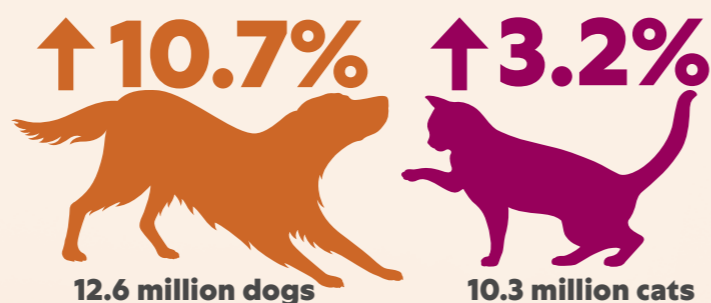
## The pandemic pet baby boom

A reassuring paw placed in your palm, the rhythmic purring of a contented cat curled up in your lap, a puppy chasing its tail... pets have therapeutic powers in difficult times. And if the past year has been anything, it's been difficult. It's therefore no surprise that there's been a surge in pet ownership throughout the turmoil wrought by covid-19.

Britain's canine population has increased by 10.7% in the past year. That's a rise of 1.2 million pet pooches that brings the number of dogs living in British homes to 12.6 million. The feline population is also up, by 3.2% to 10.3 million cats. Between 2016 and 2020, the dog and cat populations increased by 20.6% and 14% respectively, achieving compound annual growth rates (CAGR) of 4.8% and 3.2% and rising each consecutive year.<sup>1</sup>

Many people have sought the comfort, reassurance, and unconditional love of furry, four-legged companions to help get them through the pandemic. Covid accelerated growth in pet-ownership, but it is not its only driver. Greater emphasis on emotional wellbeing and growing understanding of pets' extraordinary power to increase levels of the feel-good chemical oxytocin and lower levels of the stress hormone cortisol are also at play.<sup>2</sup>

Over the following pages, we will explore what all this means for retailers. We will dig deep into the demographic shifts taking place among Britain's pet-owners and pets, weigh up how the pandemic has changed how shoppers interact with the category and how covid continues to reshape the market. We will explore the opportunities and risks associated with the boom in pet ownership, and the role Mars Petcare and our retail partners can play in keeping our furry friends happy and healthy.



**Many people have sought the comfort, reassurance, and unconditional love of furry, four-legged companions to help get them through the pandemic.**

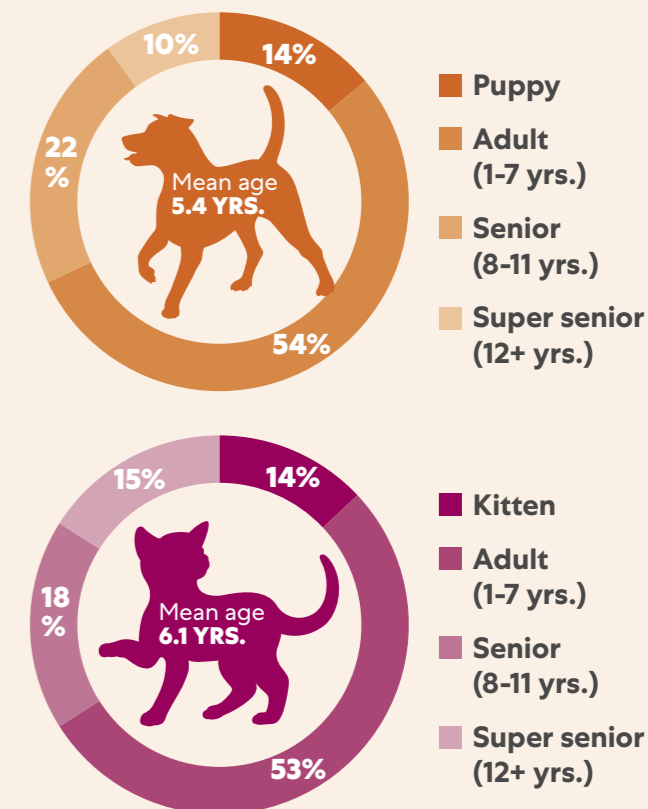
**10.8%** = **£45m**  
surge in sales at the tills

The boom in pet ownership is translating into booming sales of petcare products. That growth is worth a staggering £45m at the tills.<sup>3</sup> Figures for the year are also impressive, despite an unflattering year-on-year comparison with the unprecedented panic buying and stockpiling that took place in March 2020: sales are up by 3.1%, or £59.7m.<sup>4</sup>

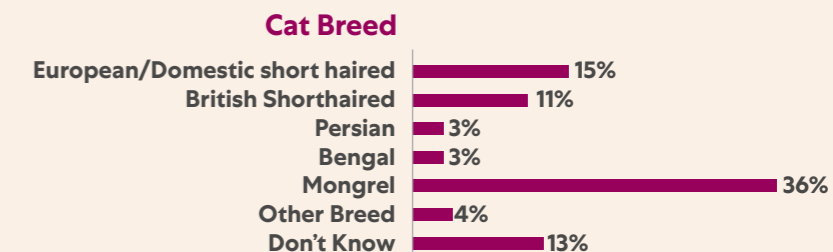
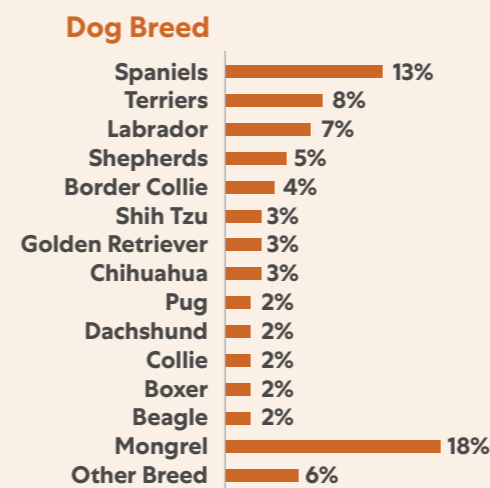
This marks the dawning of a new age of opportunity for retailers who can get their approach to petcare right. Following a surge in households using the extra time spent at home in lockdown to welcome the pet dogs they'd been putting off getting for years, our canine population has never been more bottom heavy, with 1.8 million puppies living in Britain by the end of last year. That's nearly three times the number in 2016.<sup>5</sup>

Similar dynamics are reshaping the feline population. In 2020, there were more than 1.3 million kittens living in Britain (13% of the total number of cats), up from 650,000 in 2016 (6% of the total). All this, of course, means that the average age of our pets is falling. In 2016, the mean age of Britain's cats was 6.5 years; by 2020 it was 6.1 years. The mean age of Britain's dogs has fallen from 5.9 years to 5.4 years.

What's more, today's younger generation of dogs is likely to live longer than earlier generations for the simple fact that it comprises more smaller dog breeds, which typically live longer than larger breeds. Terriers and spaniels are the most popular breeds of dog in Britain.<sup>5</sup>



**Terriers and spaniels continue to be the most popular dog breed, with European / Domestic short haired / Domestic long haired the most common breed of cat**



1 MARS PETCARE: PET OWNERSHIP SURVEY UK 2020  
2 WWW.HOPKINSMEDICINE.ORG/HEALTH/Wellness-AND-PREVENTION/THE-FRIEND-WHO-KEEPS-YOU-YOUNG

3 NIELSEN 12 W/E 17 JULY 2021  
4 NIELSEN 52 W/E 17 JULY 2021  
5 MARS PETCARE AGE OF PETS POS UK 2016-2020  
6 PET OWNERSHIP SURVEY UK 2020 - 2016-2020 PET POPULATION EVOLUTION ESTIMATED FROM 2020 RESULTS





There are very good, practical reasons for Britain's growing preference for smaller dogs. For example, the number of single person households in Britain increased by 4% in the decade leading up to 2020.<sup>7</sup> Smaller homes with fewer people living in them are, arguably, better suited to smaller dogs, which typically require less exercise and outside space.

The demographics of the new generation of pet owners should also be noted. This group is dominated by young urbanites, with 55% of new pet owners living in urban areas and a third aged under 40. The practical implications of living and working in a city mean these new owners are more likely to choose smaller dog breeds. The choice between keeping a pug or a great dane in a city centre flat is not a difficult one, after all.

	Had pet less than one year	Had pet one year or more
Gen Z (18-24 y.o)	21%	13%
Gen Y/Millennials (25-40 y.o)	45%	25%
Gen X (41-56 y.o)	22%	37%
Baby Boomers (57-75 y.o)	12%	25%

	Had pet less than one year	Had pet one year or more
Urban	58%	50%
Suburban	30%	24%
Rural	12%	26%

This new generation has a penchant for pedigree 'toy' breeds such as chihuahuas, pugs and Yorkshire terriers. Fourteen per cent of households that have owned a dog for less than a year say their dogs fall into this category, versus just 6% of the total number of dog-owning households. Thirty-seven per cent of new dogs are pure breed pooches with pedigree certificates, versus 26% of canines aged over a year.<sup>8</sup>

Again, there are parallels here with the preferences of Britain's cat owners. While most British cats are mixed breed (73%), there has been a marked increase in ownership of pedigree pussies. In 2020, 21% of cats owned for less than a year were pure breed, versus 13% of those that had been owned for longer than a year.

Eleven per cent of our cats are British shorthairs, the inspiration for John Tenniel's iconic illustration of the Cheshire Cat in Lewis Carroll's Alice in Wonderland, making it the country's most popular cat breed with their number exceeding 1.1 million in 2020 (up 25.4% on 2016). Britain's Persian cat population more than tripled to 309,000 animals between 2016 and 2020. There's a similar number of Bengal cats in the country, following a 71% increase.

7 ONS WWW.ONS.GOV.UK/PEOPLEPOPULATIONANDCOMMUNITY/BIRTHSDEATHSANDMARRIAGES/FAMILIES/BULLETINS/FAMILIESANDHOUSEHOLDS/2020  
8 PET OWNERSHIP SURVEY UK 2020 - 2016-2020 PET POPULATION EVOLUTION ESTIMATED FROM 2020 RESULTS

This presents huge opportunities for retailers. Owners of pedigree pets are more likely to be inclined to spend more on specialist nutrition, treats and other petcare products. That British shorthair cats have dense coats and Persians have famously long hair helps explain growing demand for grooming and anti-furball products. That Bengals are closely related to Asian leopard cats goes some way to explaining the rise of nutritional products based on the diets of our pets' wilder cousins (see part 2).

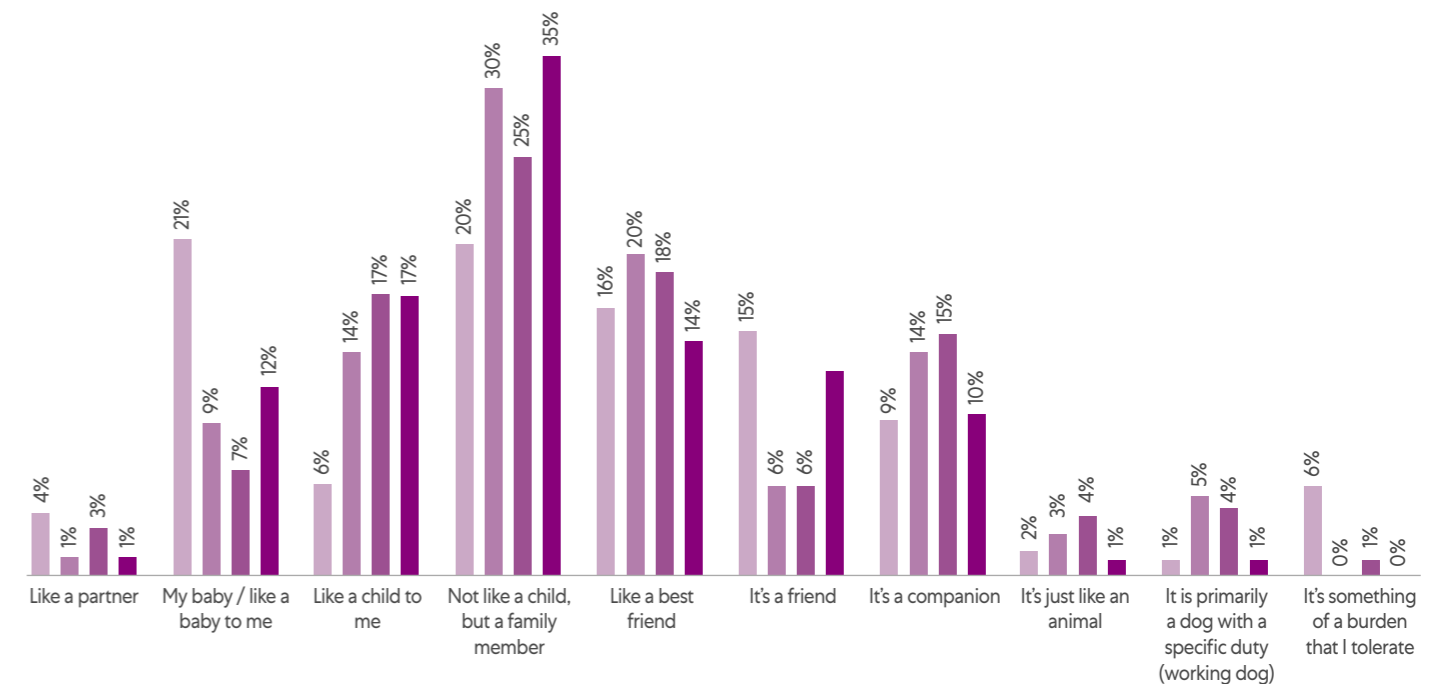
And, as we've established, smaller dog breeds typically live longer than larger breeds (Yorkshire terriers can live for as long as 20 years), meaning the window of opportunity for retailers and brands that can foster loyalty is growing.

Seventy two per cent of all pet owners view themselves as 'parents' to their furry friends and 75% say they actually prefer the company of their animals to other humans. Fifty per cent of children head straight for their pets when they come home.<sup>9</sup> But there are significant differences between the shopping habits of these 'pet parents' and conventional parents; shoppers keep buying into the £6.3bn petcare category for far longer than they do the baby care category, for example.

With more people reaping the emotional rewards of pet-ownership, the status of our four-legged family members is being elevated. Thirteen per cent of dog owners say their pets are like children to them, versus 8% in 2016. The number of people who view their dogs simply as companions has fallen from 17% to 11% during that time. Twenty one per cent of new dog owners say their dogs are like babies to them. It's a similar picture among cat owners.

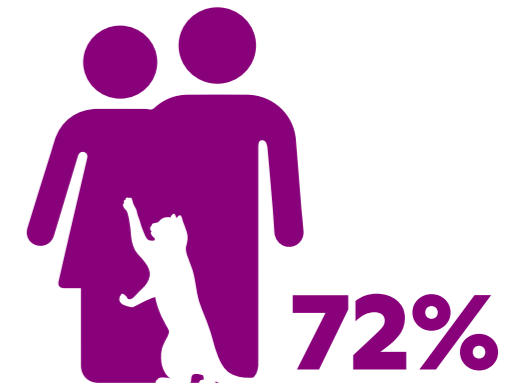
So, what does all this mean for petcare retailers?

### How owners see their pets



■ Had dog less than 1 year ■ Had dog 1-2 years ■ Had dog 3-5 years ■ Had dog more than 5 years

9 MARS PET OWNERSHIP STUDY, UK MARKET, 2017



of all pet owners view themselves as 'parents' to their furry friends

**Twenty one per cent of new dog owners say their dogs are like babies to them.**



# PART TWO

## Growth sectors – brand spotlights

Petcare is being transformed. As we've seen, most people who keep animals don't see themselves as simply owning their pets anymore. They are their parents. Dogs and cats are of at least equal status to the humans they share their homes with. Today, pet food is about more than mere sustenance. It's about treating, added health benefits, bonding moments, indulgence, answering specific needs relating to life stage and breed, and much more.

As we'll explore in this chapter, pet parents are applying the same high standards they have when feeding themselves, to feeding their animals. They are turning to products inspired by nature and the growing body of scientific research into optimal animal nutrition, as well as indulgent items to treat their pets. So, the market is premiumising, with a 3.9% increase in average price driving 1.9% market value growth between 2019 and 2021.<sup>10</sup>

Of course, we cannot view the trends that are reshaping the category in isolation, either in relation to each other or the wider FMCG market. As the graph shows, demand for products perceived as being more 'natural' is influencing everything from health-orientated food to treats, and more indulgent food offerings. Likewise, health and functionality cues are evident in treats, everyday enjoyment and luxury, along with science-led and natural lines.



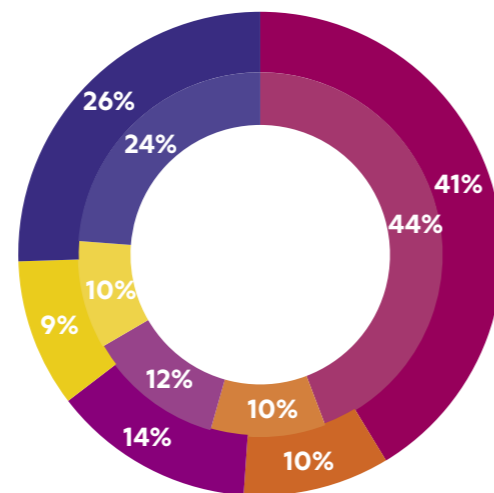
Shoppers will pay more for such attributes, as demonstrated by premium wet dog food's growth, driven by the development of indulgent, specific life stage and functional products supporting general health and wellbeing from the likes of Cesar and Crave. Premium price tier lines now account for 31.2% of the £588.2m/year wet dog food market. In the next five

years, it's expected to achieve the highest growth, realising a CAGR of 6.3%.<sup>11</sup>

Luxury cat food is also flying, driving growth in single serve wet cat food of £31.8m (5.3%) in the past year. Mars Petcare's Sheba is the fastest growing luxury wet cat food, with growth of 4.6% for the full year accelerating to 10.6%, driven by a growing range aimed at satisfying owners' urges to indulge their cats with premium, healthy meals.<sup>10</sup>

To capitalise on this, retailers will need to prioritise premium new product development in range reviews and devote a greater share of shelf space to such products in line with growth expectations. Leveraging promotions to encourage trial and trading up from the mainstream price tier will also be crucial<sup>12</sup>. In the rest of this chapter, we'll explore the growth sectors that are reshaping the petcare category.

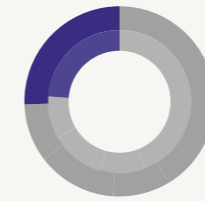
### Projected growth sectors



- Everyday enjoyment
- Luxury moments
- Nature inspired diet
- Science led nutrition
- Care & treats

<sup>10</sup> NIelsen  
<sup>11</sup> EUROMONITOR PASSPORT 2021  
<sup>12</sup> \*RETAIL PRICING IS AT THE SOLE DISCRETION OF THE RETAILER  
<sup>13</sup> ORAL HEALTHCARE FOUNDATION <https://www.dentalhealth.org/news/lockdown-leading-to-increased-snacking-culture-claims-charity>  
<sup>14</sup> NIelsen 52 W/E 17 JULY 2021  
<sup>15</sup> MARS PETCARE MARKET ESTIMATE  
<sup>16</sup> NIelsen 52 W/E 17 JULY 2021

## Care & treats



**CURRENT SHARE OF PETCARE CATEGORY: 23.8%**

**PROJECTED SHARE OF PETCARE CATEGORY: 25.5%**

Let's face it, we've all needed a treat over the past 18 months. A consequence of the pandemic on human nutrition was a boom in snacking occasions, with one 2020 study finding that 38% of British adults had increased the number of times they were snacking per day in the first three months of lockdown.<sup>13</sup>

This is mirrored in the world of petcare. With more time spent at home with pets during lockdown and far more puppies to train, people have been treating their pets more. But, as in the wider UK market, more snacking doesn't mean shoppers are abandoning healthy eating. Just as humans are avoiding high sugar and fat products and snacking more on higher protein goods such as meat and dairy-based snacks, natural pet treats with higher animal protein levels are a key growth driver for care & treats.

Care & treats is the top dog of the category in terms of growth. Combined sales of dog and cat treats have soared by £34.9m (8.2%) in the past year. Dog treats have driven the lion's share of this, growing by £23.4m (6.9%); cat treats are responsible for £11.5m (13.1%) growth, having grown from a smaller base<sup>14</sup>.

There's room for further success, with care & treats expected to account for 34% of future category growth.<sup>15</sup> This will be driven by several factors, including the development of new products and formats designed to satisfy a much wider variety of need states and occasions. As in human snacking, new products and formats are crucial for creating excitement.

To understand why this is, you must first understand how the elevated status of pets as equal members of the family has widened the range of reasons shoppers are picking up petcare & treat products. Today, such lines aren't only about rewarding good behaviour or seasonal treating; they're about caring for specific needs

and providing bonding moments that cement relationships between parents and pets.

See the wide range of flavours available in the line-up of Britain's best-selling cat treat brand Dreamies. The range includes chicken, cheese, tuna and beef products, as well as mixed bags, allowing cat owners to experiment and discover their pets' preferences in a similar way to how a real parent would. The introduction of Dreamies Cat Nip in 2020 elevates that bonding experience to new levels.

There are many other striking similarities between the human and pet treat markets. On occasion, pet parents want to indulge their animals just as they would themselves; this is driving growth in liquid cat treats such as Sheba's range of Creamy Snacks, Classic Soups and Prime Cuts meals. But everything in moderation. Growing demand for pet treats with functional health benefits is also reshaping the category.

Britain's number one canine oral care brand Dentastix has steadily grown share of the treats category over the past year; thanks, in part, to the launch of Chewy Chunx in 2020. Twenty one per cent of brand's growth has come from the newcomers to the category, suggesting that the new generation of pet parents take the oral care of their dogs seriously. Strong growth in Crave Protein Chunks, Chews and Strips for dogs adds weight to this.

This is just the beginning. Just 5% of pet parents currently feed their animals an oral care product daily, suggesting that there's significant room for penetration growth. And, as we'll explore in part three, care & treats is a highly impulse driven segment, meaning there are huge opportunities to grow sales through secondary store positions, smart merchandising and range extensions.



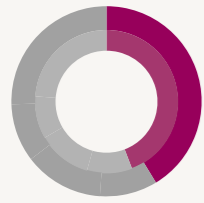
### Brand spotlight: Crave

Need more proof that trends in human snacking are influencing those in pet care & treats? Look no further. With protein-rich snacks (for humans) one of grocery's fastest growing product groups in recent years, natural pet nutrition brand Crave is successfully translating this into the £337.7m a year dog treats market.<sup>16</sup>

Crave's range of Protein Strips, Chunks and Chews are the fastest growing products in this category, with sales up 257.2% to £3.1m. This has been achieved by tapping into pet parents' growing desire for products that are natural, healthy and informed by scientific evidence. The Crave brand is crafted using the knowledge that cats and dogs would naturally choose a high protein diet in the wild. The Crave dry and wet complete foods for cats and dogs are high in protein and made with natural ingredients; providing pets with the energy they need to be their instinctual selves. The Crave treats range is made also made with high quality protein sources for the taste dogs naturally love.

<sup>10</sup> NIelsen  
<sup>11</sup> EUROMONITOR PASSPORT 2021  
<sup>12</sup> \*RETAIL PRICING IS AT THE SOLE DISCRETION OF THE RETAILER

## Everyday enjoyment



**CURRENT SHARE OF PETCARE CATEGORY: 44.2%**

**PROJECTED SHARE OF PETCARE CATEGORY: 41.3%**

This is the backbone of the petfood category. And in the past year of soaring pet ownership and immense pressure on our lives from the pandemic, it's shown remarkable strength. Everyday enjoyment products accounted for 44.2% of petfood sales in 2020, and the sector is expected to deliver at least an extra £152m in retail sales value growth by 2024.

One thing you can say about everyday enjoyment petfood is that it's getting wetter. In 2019, 80% of dog owners fed their pooches wet dog food every day. Today, more than 97%<sup>17</sup> do. Wet makes up more than two thirds of total dog food sales and continues to gain share, driven by higher margin, premium single serve formats. It's a similar story for cats; single serve wet formats account for more than three quarters of market value.<sup>18</sup>

The growth in wet pet food is down to a range of factors, spanning from growing demand for aluminium packaging on environmental grounds (most wet dog food is packaged in cans) because it can be infinitely recycled, to Britain's growing population of smaller dogs (wet food is easier for diminutive breeds to chew and digest).

Wet dog food is generally perceived to be a more enjoyable meal for our pooches, and with more people at home over the past year, many have switched to wet because they are more likely to be at home when their dogs need feeding. Fewer people need to leave a bowl of dry food out at the beginning of the day before leaving for the

office. Owners are rewarded by seeing their dogs enjoying a meal, in a similar way to how parents get a buzz from clean plates after they've cooked dinner for the family.

Growing awareness of the benefits of mixing dry and wet food is another factor. Dry kibbles store better than wet food once opened and certain dry formats can help support oral care of pets by helping to remove plaque during chewing wet foods deliver moisture, relatively high levels of animal proteins and a variety of tastes and textures. Dry foods deliver crunchy kibbles and carbohydrates, including fibre. A mixed feeding regime brings the attributes of both formats together and provides the pet with a varied diet.

Unlike care & treats, many of which are bought on impulse, the purchase of everyday enjoyment products tends to be a highly planned, routine activity, meaning that maintaining availability and ensuring bulk formats are in store for shoppers looking to stock up is crucial. One in five shoppers will not buy any pet food if their preference is not available. With Britain's pet population growing, retailers ignore this at their peril.

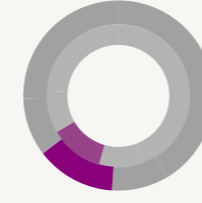


### Brand spotlight: Whiskas

Happier, healthier cats mean happier, healthier pet parents.

Whiskas takes a similar, holistic approach to feline welfare when it comes to its product range, which comprises wet and dry foods formulated for the specific life stages of cats (kittens, ages one to six, seven to 10 and 11 plus), as well as the Temptations range of treats, Dentabites and Anti-Hair Ball treats and milk products. The brand is worth £149.7m a year at retail and has grown by 8.5% in 2021.<sup>20</sup>

## Health: The power of nature



**CURRENT SHARE OF PETCARE CATEGORY: 12.2%**

**PROJECTED SHARE OF PETCARE CATEGORY: 13.5%**

Nothing holds more power than nature. You can even apply this truth to petcare. Natural credentials such as 'clean' ingredients, recipes inspired by the diets of our pets' wild cousins, made without grains and other cultivated human food stuffs is the biggest driver of growth at present. Sixty seven per cent of growth in dog food in 2020 came from products with natural credentials and we expect at least 20% of future growth to come from this area.

For good reason: 65% of millennials have a stronger preference for natural products than their older peers (remember, a third of new pet parents are in this group or gen Z), making emphasising natural credentials a broader requirement for most brands. Indeed, it's become the lead position for Cesar, which markets its wide range on offering real dogs real food, with limited ingredients just as nature intended. Crave is another example. Every product in the brand's range of dog and cat food and treats contains a minimum of 60% animal-derived ingredients. They are high protein and are made without grains.

New opportunities are emerging as younger shoppers' influence on the market increases. 47% of millennials actively seek out organic pet food brands to take a bigger bite of the market. Online retail platforms, in particular, could benefit from this trend, given that 24% of millennial pet parents buy petcare products at least every four weeks, versus 14% of non-millennials.<sup>21</sup>

## 65% of millennials have a stronger preference for natural products than their older peers



### Brand spotlight: James Wellbeloved

Harness the super power of nature. The slogan for James Wellbeloved can leave no doubt about the importance it places on taking its nutritional cues from the natural world. Neither can its range of wet and dry dog and cat foods, which include the new Superfoods line of products designed to keep dogs active and full of life with complete foods fortified with added fibre, vitamins, minerals and antioxidants.

James Wellbeloved's products are all tailored for the specific life stages of cats and dogs, from puppy and kitten upwards, and contain only quality, natural ingredients and absolutely no artificial additives. Grain-free and light variants have been developed and the brand's wet food line-up features quality meat in gravy for dogs and in jelly for cats. Specific products for indoor cats are also available.

17 KNOWLEDGE HOUND 2021-05-16

18 NIELSEN 52 W/E 17 JULY 2021

19 ACCORDING TO THE JOURNAL OF FELINE MEDICINE, A CLINICAL STUDY MEASURED THE CATS' STRESS SCORES (CSSS) WITH SILENCE, CLASSICAL MUSIC, AND CAT MUSIC DURING VETERINARY EXAMS. IT WENT BEYOND THE BEHAVIOURAL OBSERVATION OF THE PREVIOUS STUDY TO CAPTURE PHYSIOLOGICAL RESPONSES AS WELL. CATS SHOWED SIGNIFICANTLY LOWER CSSS IN RESPONSE TO CAT MUSIC DURING THE EXAMS. (HAMPTON, FORD, COX, LIU & KOH, 2019)

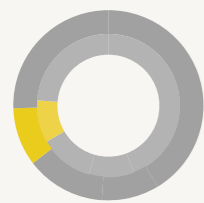
(HAMPTON, FORD, COX, LIU & KOH, 2019). EFFECTS OF MUSIC ON BEHAVIOR AND PHYSIOLOGICAL STRESS RESPONSE OF DOMESTIC CATS IN A VETERINARY CLINIC. [ONLINE]. FIRST PUBLISHED FEBRUARY 12, 2019 IN THE JOURNAL OF FELINE MEDICINE AND SURGERY.

20 NIELSEN 12 W/E 17 JULY 2021

21 MARS UK MILLENNIALS STUDY 2019



## Health: Science-led diets



**CURRENT SHARE OF PETCARE CATEGORY: 9.6%**

**PROJECTED SHARE OF PETCARE CATEGORY: 9.9%**

With parenthood comes a whole new set of responsibilities. Because most pet owners now view themselves as the equivalent of parents to their animals, pets' health and wellbeing are being considered by shoppers in far greater depth than ever before. This is driving growth in brands that can demonstrate the science behind their products' formulation.

By developing products designed to suit specific lifestyles and ensure our animals' nutrition is optimal for whatever life stage they're at, Mars Petcare is encouraging shoppers to trade up to more premium products. Take Royal Canin's range of tailored nutritional products developed on the brand's central philosophy that every pet is unique. The range includes products developed for specific breeds and health conditions, and features lines sold exclusively through veterinary practices.

**Pets' health and wellbeing are being considered by shoppers in far greater depth than ever before.**

### Brand spotlight: Perfect Fit

Just as human food and drinks brands are increasingly marketing their products as fuel for active lifestyles, Perfect Fit is designed to address all five of cats' most common needs throughout their life.

The range is fortified with vitamins E and C, taurine and antioxidants to boost natural defences; biotin, zinc and sunflower oil help maintain healthy skin and keep coats glossy; mineral levels are controlled to maintain healthy urinary tracts; and high-quality proteins and fibre are used to support healthy digestion and optimise energy levels and weight.

Perfect Fit's wet and dry cat foods are tailored for specific life stages, from kittens to adult and senior. The line-up also boasts products for indoor cats that help to control formation of hairballs and contain few calories. Perfect Fit Sensitive contains no wheat or soya and uses natural fibres to stimulate the growth of useful bacteria inside cats' guts to aid digestion.



With the new generation of pandemic pet parents more likely to own pedigree pets who they view as at least equal to human members of the family, demand for science-led nutritional products will continue to grow, driving growth in the specialist pet trade and presenting opportunities for supermarkets to widen their ranges. There's also an opportunity for mainstream brands to develop new products based on scientific research but at a lower price point to the specialist lines available through the pet trade and veterinary practices.

## Luxury moments



**CURRENT SHARE OF PETCARE CATEGORY: 10.2%**

**PROJECTED SHARE OF PETCARE CATEGORY: 9.8%**

Luxury doesn't mean unhealthy indulgence. It crosses over with the natural and science-led trends we've already explored and introduces many of the principles pet parents apply to feeding themselves. Increasingly, the products they feed their pets need to look and sound good enough to be eaten by themselves.

See the new Rich in Chicken, Garnished with Sweet Potato, Peas & Cranberry line under Cesar's new Natural Goodness range, Sheba's Luxury Pate products or Pedigree's Country Casseroles in Gravy and Chicken & Rice for examples of how pet food is becoming increasingly humanised.

This all makes sense, when you consider that 78% of pet parents say that the food they feed their animals is as important to them as the food they eat themselves. And as shoppers consider their own health more closely, it is also climbing up the pet food priority list; 46% of pet parents tell us they have adjusted their pets' diets to improve health.

Luxury Moments is expected to continue to generate long term category value, delivering a CAGR of 3.7% over the next three years. For retailers to fully realise the opportunity, they will need to increase space for such products, build excitement with new launches in the same way they would human categories, and offer tempting promotions to encourage trial.

**78% of pet parents say that the food they feed their animals is as important to them as the food they eat themselves.**



### Brand spotlight: Sheba

Sheba is the fastest growing single serve luxury cat food of the past year, having delivered £3.5m (4.6%) growth.<sup>22</sup> Its range of indulgent cat meals and treats is designed to build even closer bonds between owners and their cats by providing dishes that will leave them purring and pawing for more.

The range includes a sumptuous array of flavours, textures and sustainably sourced ingredients, including the traditional pate recipes of Classics in Terrine (packaged in recyclable 85g trays), Fine Flakes in Jelly and Gravy (in trays and pouches) and the Sauce Lover range. The Craft Collection boasts meaty chunks in a rich gravy for decadent but balanced meal.

Growing demand for products inspired by regional cuisines in human food is also influencing what shoppers want to feed their cats. Sheba has responded with the launch of the Fresh Cuisine range, which includes Taste of Tokyo tuna and salmon with rice and Taste of Rome Chicken Carbonara and Turkey al Pomodoro. In addition, Sheba has developed its Creamy Snacks sachets to help pet parents foster a closer connection by allowing cats to be hand-fed.



# PART THREE

## The long-term impact of Covid-19

In the first few months of the pandemic, a meme featuring grumpy cat (an internet sensation of a few years earlier) began doing the rounds on social media. Superimposed on a photograph of the cat with its trademark, unamused expression was this statement: "Get a human, they said. They're never at home, they said."

The meme, it turns out, was remarkably prescient. As we've explored, the extra time we were all forced to spend at home led to a boom in the pet population, with an extra 1.2 million dogs and 320,000 cats (most of them puppies and kittens) finding new homes in Britain. The pandemic has also driven significant changes in what people are buying for their pets, how they're interacting with them and where they're shopping for petcare products.

The first thing to note is that poor old Grumpy Cat had no reason to be so down in the mouth. As we saw in Chapter 2, sales of care & treat pet products have boomed in pandemic Britain, making them the fastest growing part of the category. Leading cat treat brand Dreamies has delivered £3.7m of the cat treat sector's £11.5m growth, with sales up 11.1% in the past year.<sup>24</sup>

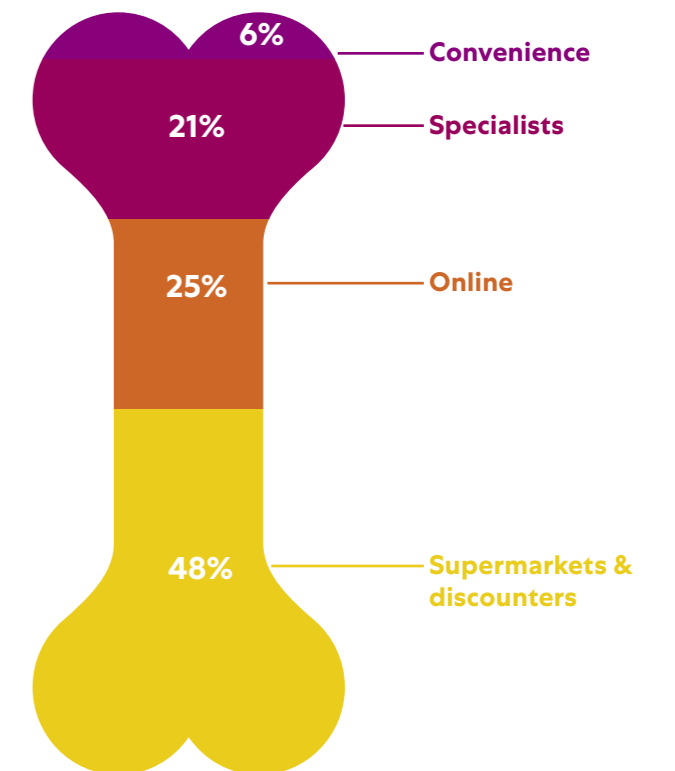


More time spent at home means more treating opportunities. But it's not just the pets that benefit from these treats. The reciprocal purr, tail wag or nuzzle has significant benefits for humans too. Studies have shown that people sleep better with feline, rather than human, companions<sup>25</sup> and cat owners are less likely to feel stressed. The results of one study even suggests that cat owners are 40% less likely to die from heart attacks.<sup>26</sup>

The pandemic has brought people closer to their pets. Pet parents are using treats and the main meals they give their animals as a way of creating special moments and deeper bonds with their four-legged friends. That's why we're using new emotional communications to capitalise on this shift.

It's not just how people are interacting with their pets that's been changed by the pandemic, of course. So too are the retail channels where people are choosing to buy products for their pets. And, as we're about to explore, these changes are presenting huge opportunities for growth, yet they require new approaches to ranging, merchandising and in-store marketing if they are to be fully realised.

### CHANNEL SHARE



24 NIELSEN 52 W/E 17 JULY 2021  
25 MAYO CLINIC CENTER FOR SLEEP MEDICINE  
26 UNIVERSITY OF MINNESOTA STROKE RESEARCH CENTER



## Channel spotlight: Online



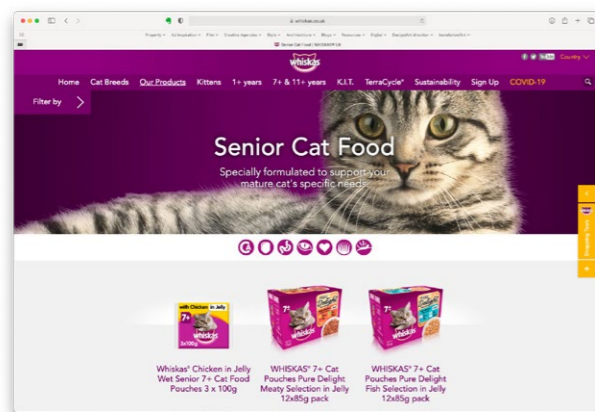
2021 SHARE:  
**25%**

FUTURE  
SHARE (P):  
**29%**

As with the rest of FMCG, the pandemic drove huge numbers of people to shop for petcare products online. This resulted in a +39%<sup>27</sup> surge in online sales (grocery, pet specialists and pureplay combined) in 2020, as many elderly and vulnerable people who had not shopped online before began filling virtual shopping baskets for the first time.

Now this group has discovered just how convenient and cost effective the channel is, they will continue to shop online. And they're spending more than they would have otherwise spent. Cat owners who have bought online for the first time in the past year are spending 11% more online than they do in store; dog owners are spending 7.4% more.

These newcomers are more likely to use the search function to navigate online stores, making it crucial that retailers optimise search terms and taxonomy to drive sales. It's also

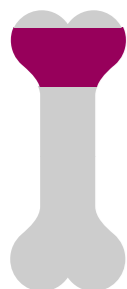


paramount that bestsellers are available in bulk to allow shoppers to capitalise on the benefits of home delivery and economies of scale.

The influx of former web-sceptics helps explain why we expect online to deliver greatest growth in the next three years. But it's not the only reason. The new generation of pet parents is dominated by millennials and gen Z, the first people to have grown up in the age of the internet; 24% of millennial pet parents already buy petcare online at least every four weeks.

This demographic's preference for products with natural and health-orientated credentials, combined with their penchant for pedigree breeds and the higher likelihood that they will view their animals as equal to humans, means it's vital that online retail ranges and cross-selling activations are optimised to reflect these sensibilities.

## Channel spotlight: Pet trade specialists



2021 SHARE:  
**21%**

FUTURE  
SHARE (P):  
**22%**

Britain's biggest specialist pet company, Pets at Home, passed a major milestone in May 2021, announcing annual retail revenues worth more than £1bn for the first time. Recent growth for specialist pet trade channel is partly down to the boom in pet ownership. But that's not all: these retailers are deft at meeting the demands of the new generation of pet parents.

One source of growth for Pets at Home has been a surge in memberships for its VIP (Very Important Pets) and puppy and kitten clubs, which give members discounts and a tailored pet care journey as well as access to the broad range of pet services – including veterinarians, grooming and training – available in store. This is also an effective way

of driving greater loyalty and longer, more fruitful customer relationships.

All this demonstrates how important it is for specialist pet retailers to align themselves with the sensibilities of younger pet parents through the range of products and services they offer in store, and by ensuring their online platforms provide the sort of experience these digitally savvy shoppers expect.

## Channel spotlight: Convenience



2021 SHARE:  
**6%**

FUTURE  
SHARE (P):  
**6%**

Convenience had its time in the sun during the successive lockdowns of the pandemic. With shoppers staying closer to home and reducing the number of times they visited stores, neighbourhood convenience stores saw a 10% fall in footfall during the first lockdown, but a significant increase in basket size as shoppers visited larger stores less frequently.<sup>28</sup>

As restrictions eased in summer 2021, footfall began to rise again, but overall spend has remained elevated. The convenience channel has seen its share of petcare spend increase by 0.5% points to 14.6% of total category value in the past year, with cat owners increasing spend in c-stores by 0.5% and dog owners spending 0.3% more.<sup>29</sup>

Premium brands are key to driving spend in this channel. Overall, sales of branded cat food have increased by 6.6% in the past year, dog food brands are up by 6.3%. But in c-stores that growth is higher: 10.8% for cat and 10.4% for dog. Luxury brands are performing more strongly still: 18.4% for cat and 19.7% for dog.<sup>30</sup>

The lesson? Providing trade-up options in c-stores is key to driving premiumisation and shopper spend, especially in luxury wet single serve dog and cat food. Shoppers are also trading up in terms of pack size, with shopper

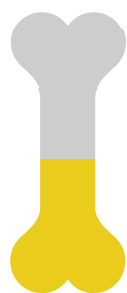
penetration of single serve wet cat food in seven to 15-pouch multipacks seeing growth of 17% and 101g to 200g packs of dog treats up 42%. By increasing distribution of larger packs, c-store operators can increase spend.

Still, there's no getting away from the fact that 63% of visits to c-stores are for top-up shopping missions,<sup>31</sup> making it crucial that retailers maintain a core range of bestselling items to avoid disappointing shoppers and losing sales. Good signposting and secondary positions for treats (44% of which are bought on impulse<sup>32</sup>) are also invaluable, helping to elevate that top-up shop to a more valuable transaction.

## Providing trade-up options in c-stores is key to driving premiumisation and shopper spend.



## Channel spotlight: Supermarkets & discounters



2021 SHARE:  
**48%**

FUTURE  
SHARE (P):  
**43%**

Both bricks and mortar grocery multiples and the hard discounters have suffered during the pandemic as greater numbers of shoppers steered clear of larger stores and opted to shop online or at local neighbourhood stores. But now, as the country returns to some sort of 'new normal', both are enjoying growing footfall and higher petcare spend.

With shopping trips now growing for both the grocery multiples and discounters, the emphasis now should be on encouraging shoppers to trade up and increasing basket size. Ensuring availability of bulk packs of bestsellers is crucial but so is widening ranges to cater for the broader range of need states that are driving the category.

What's going on in dog treats in the grocery multiples perfectly illustrates how these retailers are driving premiumisation through range extensions. In 2018, 19% of the multiples' dog treat sales came from premium, meaty snacks (see crave brand spotlight, page 9); this year that figure stands at 25.3% and by 2023 we expect it to be 37.1%.<sup>33</sup>

Discounters are premiumising in similar ways, outgrowing the total UK market in many of the key premium product sectors. The discounters' sales of single serve wet dog food are up 19% versus a UK market average of 11%; single serve wet cat food is up 17% versus a decline of 3%; dog and cat treats are also flying high above the UK market average in the discounters.

### Turning dog food tins into gold

Cesar, the top dog in Britain's luxury single serve wet dog food sector, made a bold move in July 2021. It leapt into multi-serve wet dog food with a range of products perfectly positioned to tap soaring demand for natural, healthy and wholesome canine meals that reflect pet parents' growing environmental consciousness.

The Cesar Natural Goodness range comes in 400g multi-serve cans in singles and six-can multipacks. There are three recipes that sound good enough for pet parents to eat themselves: Chicken, Sweet Potato, Peas & Cranberry; Beef, Carrots, Green Beans & Herbs; and Lamb, Carrots, Potatoes & Spinach.

The recipes capitalise on the growing humanisation trend in petcare and will help ensure the multiserve wet dog food sector stays relevant for the growing number of dogs in Britain. Natural Goodness is packaged in 100% recyclable packaging and contains 100% natural ingredients, with added vitamins and minerals, and no grains.

The launch has been supported with digital and in-store marketing investment. Significantly for retailers, this is a premium range, offering retailers another opportunity to drive value into the market by meeting pet parents' rising standards.



**Dog and cat treats are also flying high above the market average in discounters.**



# PART FOUR

## Deep dive: Petcare with purpose

Covid-19 has been a global, generation-defining event. Time will be forever split between pre- and post-pandemic. In the coming five years, 10 million people are expected to require support for their mental health as a direct result of the pandemic.<sup>34</sup>

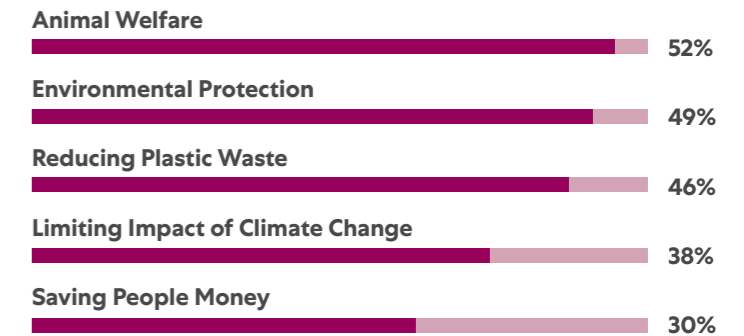
As we've already established, there is a close link between our mental wellbeing and the pets we keep. And as a leader in the petcare category, we have a responsibility to help resolve the pressing challenges society is facing. That's why we're stepping up with a range of initiatives to support our shoppers and drive change. Social responsibility is no longer a 'nice to have' in the eyes of consumers. It's prerequisite.



Today, 40% of consumers are actively seeking out products and services that align with their own values and 57% are willing to change what they buy to reduce their environmental impact.<sup>35</sup> This change is being driven by a new generation, with 87% of millennial and 94% of gen Z shoppers saying they expect brands to be working to address social and environmental issues.<sup>36</sup>

### Animal welfare is most important to consumers

#### What area do you think Petcare brands should be making a difference in?



So, we're changing too. We're redesigning our packaging portfolio and reducing our use of packaging materials. By 2025, our goal is for 100% of our packaging across Mars to be recyclable, reusable or compostable.

We have replaced shrink film with cardboard across all mixed multipack cans of Pedigree, Whiskas, Chappie and Kitekat pet food in the UK, removing 180 tonnes of plastic from the environment every single year.

We're working hand in hand with our retail partners towards a more sustainable future too. For example, with Pets At Home, we have launched dedicated in-store recycling points for pet food packaging across 40 UK stores. With Asda, we are offering Pedigree and Whiskas at innovative in-store refill zones to gauge shopper appetite for pet food in reusable packaging.

**87% of millennial and 94% of gen Z shoppers say they expect brands to be working to address social and environmental issues.**

35 IBM - <https://www.ibm.com/downloads/cas/exk4xxk8>  
36 SOURCING JOURNAL - <https://sourcingjournal.com/topics/sustainability/qima-social-environmental-issues-165663/>



We're also working to help support the mental health needs of society. Our Dreamies brand is proudly carrying the logo of the LGBT Foundation across seven million packs during 2021 and we have donated to support the charity's helpline. At a time when pets have shown to have a positive impact on improving mental health, the partnership will raise awareness, show support, and promote the need for equality.

Evidence suggests that people identifying as LGBT+ are at higher risk of experiencing poor mental health<sup>37</sup>. Mars Petcare's own research has shown that 71% of the LGBT+ community have a pet and over three quarters of LGBT+ owners find their pet helpful for their mental health, while over half chose to get their pet because they felt lonely or needed companionship.<sup>38</sup>

Of course, there is commercial value in the values we are showing, but that does not mean they're insincere. The new generation that's driving positive change across society is also rising up the ranks of Mars Petcare. Our customers' values are our own values. By working with our customers to provide petcare with real purpose, we believe we can make the world a better place for us all, two legs or four.

**PROUDLY SUPPORTING LGBT foundation**

**SUPPORTING MENTAL HEALTH WITH PRIDE 365 DAYS A YEAR**

DREAMIES™ want to help raise awareness and proudly show our support to LGBT+ communities, helping to create an environment of 'inclusion for all'

**In 2021 DREAMIES™ is helping to fund the LGBT Foundation helpline: 0345 3 30 30 30**

Find out more at: [dreamiestreats.co.uk](http://dreamiestreats.co.uk) [www.lgbt.foundation](http://www.lgbt.foundation)

**ALL IT TAKES IS A SHAKE™**

LGBT Foundation Reg. Charity No. 1071804 © 2021 Mars or Affiliates

**Brand spotlight: Lovebug**

Petcare shoppers expect environmental action from the brands they buy. Indeed, three of the top five areas shoppers believe brands should be making a difference in, relate to the state of the planet. Environmental protection, plastic waste reduction and limiting the impact of climate change are shopper's top concerns, after animal welfare.

Enter Lovebug, the UK's first 100% insect-based cat food launched by a major supplier. The dry kibble product is made from black soldier fly larvae, meaning it contains no traditional meat sources. Instead, it's packed full of protein rich insects, reducing waste and land use. Lovebug is easily digestible, and is balanced with a healthy mix of amino acids, and good fats and micronutrients, which cats need to thrive.

The insects that go into Lovebug require 80% less land than beef per kilo of protein produced and are fed on 100% surplus veggies and plants, reducing food waste. The bugs are raised on a farm powered solely by renewable energy and the finished product is packaged in fully recyclable, plastic-free bags.



37 CHAKRABORTY, A., MCMANUS, S., BRUGHA, T., BEBBINGTON, P., & KING, M. (2011). MENTAL HEALTH OF THE NON-HETEROSEXUAL POPULATION OF ENGLAND. JOURNAL OF PSYCHIATRY, 198, 143-148  
38 CENSUSWIDE - 1,001 LGBTQ UK RESPONDENTS, 11/01/2021 - 18/01/2021



# PART FIVE

## The future of petcare

So, Britain is in the midst of a pet population boom. And, just as the human baby boom that followed the Second World War opened up a new world of opportunities and ushered in a new era of prosperity, the growth in our four-legged population poses huge opportunities for growth among petcare retailers and their suppliers.



We expect the petcare category to achieve a CAGR of 5.2% between now and 2025, driving growth worth £626m. This will be achieved by delivering natural, healthy treats and meals for cats and dogs that have been developed in line with rigorous scientific research. These products will cement the ever-closer bonds consumers have with their pets by providing moments of enjoyment and indulgence.

The prize is there for the taking for retailers in all channels. While we expect online to be the cat that gets the cream in coming years (we expect ecommerce to grow by 18.2% in this year alone), there are still huge opportunities for bricks and mortar retailers that offer the right products in the right formats at the right price<sup>39</sup>. The potential for retailers to drive further growth by offering additional services to pet parents is also significant.

Pet population growth is also driving lasting changes in society that reflect the priorities of the new generation of pet parents. At Mars Petcare, we're campaigning to end pet homelessness by 2030 with a range of initiatives across our Whiskas and Pedigree brands. With society facing so much uncertainty, pet homelessness is a growing problem: 100 pets are abandoned in the UK every day with most given up in their first year of life.

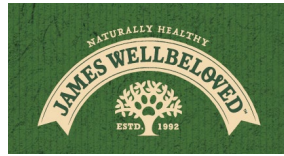
But we can make a real difference. In 2022, we will be providing 3 million free meals for cats and dogs in UK pet rescue centres<sup>40</sup> and working to get more pets rescued by loving families through initiatives. Our Adoption Mission includes a £1.3m TV campaign from Pedigree aimed at raising awareness of the positive impact pet adoption on the lives of animals and their new owners, backed up by in-store activity.

Remember, shoppers tell us that protecting animal welfare should be our number one priority in terms of social responsibility (51% say we should be focusing on this). By campaigning to end pet homelessness, we are showing our shoppers that we are listening to them and taking positive action. And, as we've seen, shoppers who feel listened to and understood are more likely to stay loyal.

**That means more wagging tails and contented purrs.  
The future of petcare is bright indeed.**

39 RETAIL PRICING IS AT THE SOLE DISCRETION OF THE RETAILER  
40 DONATIONS WILL BE MADE TO PARTICIPATING ADCH MEMBERS. REGISTERED CHARITY NO: 1180574





**MARS**  
Petcare

A Better   
World For Pets

[www.mars.com/made-by-mars/petcare](http://www.mars.com/made-by-mars/petcare)