

The pet economy boom in Asia



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With the increase in pet ownership, healthcare and spending, Asia's pet industry is expected to grow at 14.3 per cent annually from 2016 to 2021¹. Pet ownership as well as expenditure per pet is increasing. Will Asia become the next global hub for pet-related products and services?²

The beginning of pet ownership

Pets have been a part of human society for thousands of years. Cats and dogs were buried with humans. The ancient Romans also kept small toy dogs approximately 2,000 years ago³.

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As at 2016, the majority of households across the globe owned a pet. Dogs are officially man's best friend with one third of households worldwide (on average) owning a dog.

Cats are not far behind, with one quarter of households (23 per cent) owning cats, making them the second most popular pet.⁴

Where do the market opportunities lie?

The annual growth rate of the pet care industry in Asia between 2017- 2022 is expected to be 8 per cent, making this one of the few mass market industries seeing brisk growth⁵.

The factors that will drive pet care growth are:

Humanization of pets

Pet owners are now increasingly treating their dogs, cats and even small mammals like family members⁶. Marketers are commercializing this trend into a vast range of goods and services. For example, the pet

¹ Asia-Pacific Veterinary Healthcare Market - Trends & Forecasts (2017-2022), Mordor Intelligence, September 2017

² How Generational change boosts the roaring pet care market, Forbes Media LLC, Neil Howe, 20 June 2017

³ Ask Smithsonian: When did people start keeping pets? Smithsonian Institution, Alicia Ault, 28 September 2016

⁴ Man's best friend, global pet ownership and feeding trends, GfK UK Ltd, Pushan Tagore, 22 November 2016

⁵ Asian trends in pet food and pet health, Euromonitor International, Emil Fazira, 16 March 2017

⁶ Pet humanization : The trend and its strategic impact on global pet care markets, Euromonitor International, October 2014

food market is expected to reach USD10.7 billion by 2020⁷ and is seeing ever more varieties by flavour, health-promoting level and food type.

Service sector growth

Pets have moved from the basement to sharing the bed with their owners⁸. Pet care products and services catering to the wellness and health of pets continue to emerge⁹.

For instance, India's pet care market is expected to reach USD133 million by 2015, up from USD61.2 million in 2011. With rising pet ownership, consumers may also move up to premium services that are built on a better understanding of the needs of their pets¹⁰.

Business opportunities

The pet care industry is benefiting from rapid urbanization and increasing tourism within Asia.¹¹

Cashing in on this opportunity, many pet-friendly hotels have emerged. The Four Seasons Hotel in Singapore – a luxury hotel – offers low rates for a pet friendly room for pets that weigh less than 7kgs¹².

Natural pet care products

A pet's longevity and quality of life depends on its food, supplements and grooming products. Owners have become more conscious about the health and well-being of their pets¹³.

For instance, China's USD1.5 billion pet food market in 2007 included sales of natural products at 27 per cent. Only 2 to 4 per cent of Chinese

⁷ Asia Pacific pet food market: Pet health awareness and changing lifestyle partner pamper players with growth, says TMR, Transparency Market Research, 28 February 2017

⁸ Cramer names the 'humanization of pets' as the greatest investing theme in the market, CNBC LLC, Abigail Stevenson, 9 January 2017

⁹ The rapid growth of the Indian pet care industry, Times Internet Limited, Tamanna Khare, 15 July 2016

¹⁰ Ibid

¹¹ Pet care industry growing rapidly in Asia-Pacific, Euromonitor International, Wei Xuan Lee, Emil Fazira, Reema Bhagwan Jagtiani, 2 September 2016

¹² Pet-friendly hotels in Singapore: Where to have staycation with your dogs and cats, Honeycombers Pte Ltd, Katie Boon, 23 June 2015

¹³ Natural Pet Products: More Than a Trend, BridgeTower Media, Colleen Murphy, 21 June 2017

households own pets in comparison to around 65 per cent in the U.S. – indicating a huge potential for growth in the China market¹⁴.

Pet e-commerce¹⁵

Online retailing has gone mainstream in the pet food market. For instance, in South Korea 30 per cent of pet food revenue in 2016 was transacted online.

Asia's internet penetration continues to rise in emerging economies, while it is at or close to saturation in more developed countries. Smartphones are increasingly available globally, accounting for over one billion devices sold from 2014 to 2015.

Emerging markets in the Asia-Pacific¹⁶

Changes in consumer lifestyles and rising disposable income are driving acceptance for pets and boosting the entire pet-related industry along the way.

A few emerging markets to watch out for are:

India

The pet care industry is expected to grow at over 17 per cent during 2016-2021¹⁷.

Every year, close to 600,000 pets (as of 2016) are adopted and the growing number of pets has given rise to various small and medium enterprises catering to pet care demand¹⁸.

¹⁴ China pet food market growth driven by global trends, WATT Global Media, 28 August 2017

¹⁵ Internet retailing goes mainstream in pet food, Euromonitor International, Damian Shore, 26 August 2016

¹⁶ Pet care market: Southeast Asia industry analysis and opportunity assessment 2014-2020, Future Market Insights, Retrieved on 12 October 2017

¹⁷ India pet care market growth of 17% CAGR by 2021 – Analysis, technologies & forecasts report 2016-2021, Business Wire, Inc., 20 September 2016

¹⁸ The rapid growth of the Indian pet care industry, Times Internet Limited, Tamanna Khare, 15 July 2016

China

China's pet industry is booming. It is projected to grow by more than 50 per cent to USD2.6 billion by 2019. Furthermore, its pet care industry is outpacing that of the US market – the world's biggest – with a 4 per cent growth in 2015¹⁹.

The pet food market accounts for 37 per cent of total industry revenue. Accessories account for 26 per cent, medicine accounts for 24 per cent and services are at 12 per cent of total industry revenues²⁰.

Japan

As improved healthcare and rising awareness of pets' nutritional requirements leads to longer pet life expectancy, consumers in Japan have shown a willingness to take on ownership²¹ of new pets, particularly larger ones.

The pet food market recorded revenues of over USD4 billion in 2014 – with an expected growth rate of 1.1 per cent per year to reach USD4.3 billion by 2020²².

South Korea²³

The South Korean pet industry is forecasted to reach USD573 million in revenues by 2022. Although dog meat is traditionally a delicacy in Korea, public pressure on the Korean government forced a more pet-friendly stance which has spurred more pet adoptions.

Online sales are driven by discounts and the hectic lifestyles of Koreans. The expected sale of pet food via the internet is around USD180 million in 2022.

¹⁹ China's economy is slowing, but their pet economy is booming, Forbes Media L.L.C., Marianna Cerini, 23 March 2016

²⁰ Pet lovers spending billions in China, Daxue Consulting China, Luca, 11 May 2017

²¹ Pet Care in Japan, Euromonitor, July 2017

²² Japan Pet Food Market-Growth, Trends and Forecast (2015-2020), Mordor Intelligence, August 2016

²³ South Korea Pet Food Market-Growth, Trends and Forecast (2017-2022), Mordor Intelligence, September 2017

Pet care industry challenges

Asia's pet care industry is still not fully developed. What challenges and potential pitfalls should investors consider?

Online retailers²⁴

Both pet care and pet food sales growth is driven by e-commerce. The online shares of pet care sales vary in 2016 from a low 8 per cent in Western Europe to a high of 17 per cent in Asia. Nearly one-third of cat and dog food is bought online in East Asian markets like China and Korea in 2016. Despite the growth potential, many pet food companies have yet to put in place strong internet retailing strategy.

Dog meat

Despite this food being taboo in Western countries, China still holds an annual dog-eating festival. More than 15,000 dogs are slaughtered every year – mostly strays or pets²⁵.

In a recent landmark decision in April 2017, Taiwan became the first country in Asia to ban the consumption of cat and dog meat. Anyone who eats or purchases such meat may be fined up to USD8,200²⁶.

Future prospects

Latin America still has the highest percentage of pet ownership, at 80 per cent of households in comparison to 65 per cent in the USA. But Asian countries are catching up.

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²⁴ Pet food, pet care to keep growing, driven by ecommerce, WATT Global Media, Debbie Phillips-Donaldson, 1 June 2017

²⁵ China's growing market in dog meat, The Economist Newspaper Limited, 6 July 2017

²⁶ Eating dogs banned in Taiwan – A first in Asia, National Geographic Partners, LLC., Natasha Daly, 12 April 2017

²⁷ Pet food market trends and analysis, Market Data Forecast, Thirupathi Borlakunta, 8 June 2017

Premium products are more evident in pet healthcare. Many of the recent pet product launches in Asia tend to focus on ingredients and quality²⁸.

For instance, I Pet Milk – launched in South Korea in January 2017 – is lactose-free milk which contains collagen, vitamins, calcium, Taurine and Yucca extract²⁹. Private label sales in Asian countries are seeing a tremendous growth as consumers are demanding cheaper and healthier products³⁰.

Marketers should note, though, that the pet market in Asia is highly differentiated. Different countries have different characteristics. The Japanese market is driven by an elderly population that seeks pets as companions³¹.

In the rapidly emerging markets of Indonesia, China and India, pet ownership has come to be seen as a mark of status. Recent food scandals have forced some consumers to seek foreign products³². Hence branded quality pet products may find a segment there.

In mid-to-high income economies like South Korea, Malaysia and Taiwan, modern infrastructure facilities, high education levels and high internet connectivity have boosted the pet e-commerce market³³.

As in any industry, marketers will need accurate local insights and customised strategies to succeed in the growing pet-related market in Asia.

²⁸ Ibid

²⁹ Ibid

³⁰ Ibid

³¹ Asia-Pacific pet food market – segmented by animal types, ingredients and geography – growth, trends and forecasts (2015-2020), PR Newswire Association LLC.,

³² Ibid

³³ Ibid