

WHITE PAPER

Top 10 Trends for Packaging Pet Food & Care Products

It is no secret that the pet owner of the 21st century loves their furry friend and demonstrates their affection by spending money to show they care. In fact, Americans spent approximately \$41 billion in 2007 just to show how much they care. According to the APPMA National Pet Owners Survey of 2007-2008, 63% of American households own a pet and the total number of households that have a pet has increased from 58.3 million to 71.6 million over the past decade. People are so devoted to their pets that somewhere between 10 to 19% claim to be allergic, but still share their home with their furry or feathered companions. This is great news for the pet food and care market, but with opportunity comes competition.

Innovative product and packaging development is the key to taking advantage of the growing pet market. The top two ways that pet owners find new products include browsing the store shelf and television advertisements (APPMA). Packaging not only improves the shopping experience, but can also play a large role in consumer loyalty to your brand. Over 700 new toys, treats, and other products were introduced alone in 2006 at the Global Pet Expo making packaging an even more crucial component in selling your product. Studies indicate that pet food packaging follows many of the same trends as packaging for humans. Brand differentiation, brand enhancement, and convenience rate highly with consumers when selecting a brand of food or pet care products.

There are many major trends influencing the growth in the pet food and care segment. This paper addresses what we feel will be the ten guiding market forces in 2008 and how you can utilize packaging to take advantage of these growth areas.

I. The Pet as a Family Member – Humanization of Pets

The family dog, cat, or fish is no longer considered to be the family pet. Instead, they are a family member that deserves premium quality care. Approximately fifty percent of all pet owners not only buy Birthday or Christmas presents for their animal, but also let the dog sleep in the bed. According to a Pet Survey in 2006 by Mintel, 83% of pet owners call themselves mommy or daddy. As humans anthropomorphize their pets, they purchase products and services for their pets that are fun and an extension of their own personal lifestyle.

In order to stay ahead of the competition, new and established pet brands must convert consumer needs into tangible products that offer convenience and ease-of-use. People want their pet products to convey a premium quality and packaging that is inferior to human product standards will fail to deliver the necessary shelf impact to draw in shoppers. The pet food and care segment is one of a handful of markets where price sensitivity is very low. Consumers are more interested in the quality, taste and functionality of a product and selecting packaging that communicates this message will make your product stand out on the store shelf. One great example is Iams Savory Sauce, which is a topping equivalent to human foods like ketchup that is primarily used to enhance the eating experience for the dog. The package conveys the message of quality and taste very clearly in its sauce style PET container and flip-top dispensing closure. This package makes the product look so appetizing, it's likely to be mistaken for a human grade gravy.

II. Women's Influence on Packaging of Pet Products

Pet food and care manufacturers absolutely need to cater to the female buyer when selecting packaging to brand products since women are the buyers of pet products in 8 out of 10 households (APPMA). Furthermore, women are more likely to own dogs and cats and their emotional commitment to their pets can transfer easily into spending more money on accessories, treats, and toys (Mintel Pet Survey 2006).

We have found from our own research, developed through Weatherchem focus groups conducted over a number of years, that women know exactly what appeals to them. If packaging does not meet their requirements, their buying decision is clearly influenced. We find four areas that influence the packaging preferences of women: packaging color, shape, product image, and text. For instance, if the product shape is not ergonomic or if a package is difficult to lift and carry, it is much more difficult to sell to women. Packages like Purina's Tidy Cats litter and Deli-Cat brand cat food are more appealing to the female buyer. Both items come in large jug containers that are easy to store in your cupboard and have convenient carrying handles to make using the product effortless for the consumer. Adding a directional dispensing closure to such packages would make it even more user-friendly.

III. Convenient Pet Treats

Giving the pet a treat is one of the most enjoyable activities a person can do with their pet. Most people give their dogs an average of three treats per day for anything from training and tricks to the excitement of watching their pet indulge (APPMA). Overall, 90% of dogs and just under 70% of all other pets are given treats. Our family dog's IQ doubles when she senses the potential of a treat, which just makes everyone want to give her more. The experience of giving a treat must be simple and fun. Convenient packaging that provides easy access and a freshness seal is more likely to attract and maintain consumers to your products.

For instance, Whisker Lickin's cat treats provide cats with a moist treat that is no hassle for the owner. They come in a stand-up pouch that's easy to store and re-sealable, which ensures that the product will stay fresh up to the last treat. One of the latest innovations in pet food packaging is Weatherchem's new 63mm Flapper®. It is premium ergonomic closure that offers flap style dispensing for pet treats that is convenient for kids and adults. Our focus group research proves repeatedly that a premium looking package translates into a quality product in the consumers mind. For instance, Chomp's YipYap all natural treats for dogs come in a tin that is reminiscent of Altoid's high-end packaging for its curiously strong mints. The success of this product can be

greatly attributed to the upfront effort that went into selecting a premium quality package. The takeaway for brand managers of pet food products is that packaging can make or break your products success in the pet treat segment.

IV. Pet Food Recalls Spark Interest in “Made in America” Pet Products

In March of 2007, major pet food manufactures started recalling a variety of pet foods and pet treats that would eventually effect over 5300 pet food products. By the end of March, more than 100 pet deaths and 500 cases of kidney failure were blamed on contaminated pet products. A survey conducted by CMI in 2006 suggests that 75% of Americans are concerned about food safety issues and that they pay close attention to food packaging.

The recalls across both human and pet foods have made consumers increasingly aware of where their pet food is made, since the majority of the problematic food was made outside of the United States. Consumers have lost trust in the brands they have been using for years and are now taking a very careful look at the new products. Many pet consumers will only buy products that are “Made in America” and if the packaging does not convey this or if the message is too small, then your brand may be losing business. One product that has capitalized on this idea is Pet Factory’s rawhide products that contain a simple blue sticky label that’s central message is “American Beefhide.” If you have an American made product, take advantage of marketing this fact on your package in a very visible way.

V. Heightened Awareness of Ingredients in Pet Food & Care Items

The magnitude of the pet food recalls has encouraged the pet owner to educate themselves on what exactly ingredients such as “wheat-gluten” and “meat by-product” contain. Many consumers are questioning the integrity of their brand and are considering a switch to something new. This gives new players an opportunity to differentiate themselves with ingredients that offer healthier alternatives to the usual name-brand food. Innovative packaging that communicates the message that the ingredients used in a pet food brand are healthy and of human quality will definitely appeal to today’s pet owner. For example, Old Mother Hubbard’s oven baked dog treats are packaged in a bag that looks fresh from the bakery with text that lists the healthy ingredients of oatmeal, eggs, apples, and carrots on the front of the bag.

VI. Pet Organics and Pet Nutrition

As people look for healthier lifestyles, they seek the same care for their pets. The trend toward eating more natural and organic foods for humans has already been emulated in the pet food market with an increase in pet food organic sales of 46% in 2005, 36% in 2006, and an expected continued growth of 25% throughout 2008 (Organic Trade Association). The number one drawback to owning a pet for the majority of owners is that eventually it will die. As pets begin to age, their owners are looking for ways to extend their lives and many owners turn to vitamins and supplements. Overall, the pet health product segment is expected to grow 63% by 2012 according to Simmon Market Research. Consumers are least price sensitive in this area considering that over one third claim that money is of no concern when it comes to their pet’s health (Hartz Survey).

If you’re selling organic or natural pet products, your packaging should help your brand capitalize on this healthy trend. For example, Zuke’s “Natural PurrZ” cat treats communicates the message in

the product name and this treat offers convenience to the pet owner by utilizing a stand-up pouch that is re-sealable for product freshness. When packaging vitamins, it's important to remember that the human still has to operate the package. 21st Century's entire line of pet products uses a NutraFlapper flip-top closure that not only ensures easy access, but also product safety. Difficult child-resistant and continuous thread closures can be especially hard for aging adults. It is also important for the packaging to communicate in an easy and fun way why organics and pet nutrition are the right products for your pet. The organic cat and dog kits by Organix, offer a fun and convenient way to introduce organic pet products into the consumer lifestyle. The kit offers a variety of organic pet foods and treats that come in a neatly packed storage container with a handle for carrying.

VII. Baby Boomers Filling the Empty Nest

The "baby boomer" generation has been a major market driver for everything from houses to cars to entertainment to almost all consumer products for several decades. Generally defined as those born between the years 1946 and 1964, the very first of these "baby boomers" are turning 60 this year. Many are suffering from the empty nest syndrome that comes with watching your kids go to college, start a career, and/or get married. The pet, any size or species, is the new surrogate child to keep them company and make them laugh. Many boomers claim that owning a pet helps them stay healthier and makes the transition of kids growing into adults easier.

Baby boomers place a significantly higher monetary value on convenient packaging compared to other generations. If your pet products aren't easy to use, then you will not even have a chance at converting this demographic to your brand. One typical market misconception is that boomers are at a point where they are brand loyal, and reluctant to change. However, recent surveys indicate differently. A study by the AARP (2002) indicated that consumers 45 and older are as likely to change brands as younger consumers. For added convenience and an easier opening package, assuming quality is equal, the boomer generation would have little or no issue in making a brand change and would likely even consider paying more. The Fancy Feast Canned Food Variety Pack is an excellent example of packaging convenience that appeals to the baby boomer. The cans come in a cardboard box that has a handle for carrying and a dispensing chute that opens for easy access with just the tear of a strip. Additionally, the can itself has a pull-tag that eliminates the need for utensils, which makes serving the cat a gourmet meal simple and clean.

VIII. Cleaning up the Mess

In general, one of the major disadvantages of owning a pet is the mess and smell the beloved creature can leave in its trail. As a result, pet food and care manufacturers have launched a variety of innovative cleaning products such as 8 in 1's Nature's Miracle. This product actually contains natural enzymes that remove stains and odors. We all know that our pets tend to be repeat offenders when it comes to accidents, but this product actually prevents the pet from returning to the same spot. Not only is this product innovative in its technology, but it also comes in a variety of SKU's to cater to a pet owners every need whether it be wipes, a spray, or detergent.

Sergeant's Sentry Natural Defense that protects against fleas and ticks is another great example of eye-catching packaging that comes in a variety of options. One of its most innovative offerings comes in an ergonomically shaped HDPE bottle with a Flapper® dispensing cap on top. The bottle design helps this package stand out against the growing number of pet care products on the store shelf and the dispensing closure builds brand loyalty once the consumer experiences the ease of

dispensing at home. Pet owners have also seen a growing number of luxury pet cleaning products in their high-end department stores, such as Kiehl's dog cleansing spritz. This product comes in an upscale cosmetic-looking PET bottle and can be found at your local Nordstrom or Saks stores. The products that will be most successful in the "cleaning up the mess" market will be those that not only offer an innovative product, but that offer a user-friendly package as well.

IX. Eco-Friendly Pet Products

The state of the environment is a growing concern among many people, and it has already been established that a lifestyle change for ourselves will very likely translate into a lifestyle change for our pets. There is an increasing awareness of the diminishing supply of global natural resources and of the negative effects of pollution on the world around us. Pet products manufacturers should "think green" when creating products and packaging. If you're selling an eco-friendly product, make the packaging eco-friendly as well. For instance, there are a variety of eco-friendly kitty litters out there such as "Sweat Scoop" or "Yesterday's News," but most do not utilize environmentally friendly packaging. Furthermore, cat litter is a very heavy item to carry and many of the eco-friendly brands do not offer a handle to make this process easier for the consumer. Keep in mind that the eco-friendly pet market is not just limited to cat litter. There are a variety of items environmentally aware consumers can purchase such as pet beds made from plastic bottles, recycled dog toys, and even biodegradable waste bags. All of these items can benefit from more eco-friendly packaging.

X. Emerging Pet Markets in South Asia, Eastern Europe, and Latin America

Regions such as Eastern Europe, Latin America, and South Asia are all seeing a strong growth in the market for pet food and care products. According to Pet Food Industry Magazine, pet food and care sales in Asia are expected to grow 5% each year from 2007-2012. Additionally, Eastern Europe saw a 10% growth in its pet product retail sales over the past year (Euromonitor). As these developing areas gradually improve in overall standard of living, many consumers find themselves with a rising disposable income. Part of this income is being spent on care for their new pet companions.

There is an increasing awareness of pet food and care products and distribution of such items continues to improve throughout these regions as well. For the pet manufacturers that are interested in international growth in emerging markets, establishing your brand early is central to a successful product launch. It is likely that the packaging innovations that are appealing to this type of consumer on food products will also appeal to them on pet food and care products. Understanding what types of packaging delivers convenience in their terms will help build brand loyalty in the pet market.



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