



OFF THE LEASH

Natural and organic pet food is happily fetching mainstream consumers **By MATTHEW ENIS**

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TIME FOR A WALK DOWN THE PET AISLE. Now sit. Stay.

Attentive retailers looking for ways to improve sales in this usually lackluster category are spotting a host of new opportunities with the mainstream availability of all-natural and organic pet foods.

“The natural pet food category has really taken off in the last three to four years for Wild Oats and for the entire country,” said Brad Johnson, pet product category manager for the Boulder, Colo.-based chain. “[We’ve] seen double-digit growth in each of those years and have just started to scratch the surface of the natural pet food industry. My most recent numbers show that both Wild Oats and the natural channel in general are up over 15% from last year.”

Johnson noted that Wild Oats Markets has offered a selection of all-natural pet foods since the company’s founding in 1987. The recent growth of the segment, though, and the expansion of available brands, has been helped significantly by the increase in production of organic and naturally raised beef and chicken for human consumption. As the market for organic meats has boomed — growing 55% last year to \$256 million in sales, according to the Organic Trade Association — secondary markets, such as pet food manufacturing, have found it easier and less expensive to source primary ingredients.

In several cases, organic pet food producers help ensure that there is less waste in the supply chain, and more profit for organic ranchers, by offering a premium on cuts such as hearts and livers that are no longer regularly consumed in U.S. diets, explained Anthony Zolezzi, founder and president of Pet Promise, a manufacturer in Westminster, Colo.

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“There was no market for those products, and [organic meat suppliers] needed a place to sell them,” he said. “Meanwhile, most pet food is made from rendered chicken meal.

“The category has significant upside. As customers start thinking more about the personal choices that they make with their diets, they start thinking about the choices they make for their pets. We’re seeing that humanization of pets happen.”

Other industry experts agreed.

“Any trend you see in the human side of food, give it about six months in most cases, and you’re going to start to see it pop up on the pet food side,” said Bob Vetere, president of the American Pet Products Manufacturers Association. “It’s the same people making both purchases. If a lot of customers are buying natural and organic food for themselves, it’s going to be fairly easy to get them to do the same thing for their pet.”

Suppliers who discussed the category with WH said that consumers who buy their products tend to fall into a handful of broad groups: foodies, health enthusiasts, avid organic consumers and empty-nesters. All of them are driving the growth of upscale and luxury pet goods.

Although there is a distinction between shoppers who are

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Consumer interest in healthy pets extends to playtime, too. A bulk display offers fresh catnip for more discriminating buyers.

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looking for all-natural pet food options and those who pamper their pets with the latest high-end toys, gourmet treats and even clothing, retailers noted that the trends are indicative of one another.

“The growth of luxury pet items is a clear indicator that people have more disposable income that they are willing and anxious to spend on their companions,” said Johnson. “But, while having the disposable income to spend on more quality pet foods fuels the growth of the natural pet food industry, the growing body of literature on how improving pets’ diets can improve and even lengthen their lives is equally important.”

Pets have become the new children, both for empty-nesters whose kids have left home, and 20- and 30-somethings who have decided to put off starting a family, noted Margot Kenly, founder of Blue Dog Bakery, a manufacturer of

GOOD ADVICE

- Partner with suppliers to offer shoppers trial-sized bags of natural and organic pet foods when testing new products.
- Watch trends in other departments. If shoppers are buying more naturally raised and organic meats, they may be looking for similar options for their pets.
- Talk to local veterinarians to see what supplements and pet food brands they’ve been suggesting to their patients.
- Check local demographics. Empty-nesters are often willing to pay a premium both for upscale pet products and for natural and organic pet foods.

premium all-natural dog treats. “The joke is, a lot of them will do for their pets what they won’t do for themselves.

“That whole consciousness of what is in their own food and what goes into pet foods is rising. People read labels now, and they won’t feed their pets things that they can’t pronounce.”

These products have proved to be an easy fit in the natural food channel, where the pet food category had a minor presence prior to the growth of brands including Newman’s Own Organic pet foods, Castor & Pollux and Pet Promise. Specialty retailers such as Petco have also begun devoting large sets to natural and organic options, and several leading supermarket chains, including Wegman’s, Stop & Shop, Fred Meyer, QFC, H-E-B Central Market and Giant Eagle have already rolled out or tested products in their stores.

Most suppliers agree that, while there

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is potentially a large market in conventional supermarkets, several challenges lie ahead.

“It’s a very expensive industry to sell into, so there aren’t many people stepping up to the plate to get products into the category [in mainstream channels],” said Kenly. “It’s also a category where there’s not a lot of space, and what space there is is dominated by a few multibillion-dollar international companies.”

Kenly said that Blue Dog Bakery got its start in Costco, where it became a popular rotational item in the pet food department. Soon afterward, she said, a Kroger division called, saying that they had been receiving customer requests for the product. They started slow, with a single SKU, but have since added three more. Today, she said, Blue Dog Bakery does the majority of its business in mainstream channels, and is sold by retailers

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including Safeway, Albertsons, Meijer, Big Y and Pathmark.

Yet, the brand loyalty that helped Kenly propel her products to mainstream success can also present a hurdle for newcomers to the category.

“[Brand loyalty] can be a distinct advantage but can also make pioneering a new brand difficult,” noted Johnson. “Customers have to try the brand and feel comfortable with it before committing to it. Customers can be very vocal if you stop carrying their pet’s favorite food.”

Unlike other growing natural and organic categories, pet food isn’t exactly one in which retailers can drive trial through in-store sampling programs, but category managers can use several other methods to draw customer attention to new offerings.

Wild Oats, for example, has used specially priced trial-sized bags of pet food to stimulate interest.

“By lowering the initial price of entry, customers are more willing to give the product a try and see if their pet likes it,” Johnson explained. “Wild Oats has also had some very successful demo programs with sample packages that customers can take home with them in conjunction with coupons to use once they see that their pet enjoys the product.”

Similarly, Vetere of the APPMA suggested that retailers who



While in-store sampling may be out of the question, supermarkets can promote trial-size bags or coupons to spur trial purchases.

operate store-within-a-store natural food sets could try using placards with coupon tie-ins to direct natural food shoppers to the new items in the pet food aisle.

Finally, since limited space is often an issue when testing new entrants to the category, good signage can be critical.

“These consumers are in conventional supermarkets, but they need to be told that there’s something different [available],” said Zolezzi. “Make sure the product is signed appropriately so that the features and benefits of your product are clear and can be read quickly in the aisle.”

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Although advertisements in store circulars may be another good way to raise awareness of the products, most shoppers seem to be learning about the brands through word-of-mouth, the Internet and recommendations from veterinarians.

“Which product people buy depends on many factors and is where things get more complicated,” explained Johnson. “Some are directed to brands by their vets and/or as a result of a health issue with their pet.”

Conventional veterinarians have become more familiar with super-premium brands, he noted, and the growing practice of “holistic” veterinary medicine, where traditional veterinary treatments are based more on the patient’s diet, environmental stresses and related factors. Such an approach has led to more vets recommending organic and all-natural brands.

“Customers are influenced to try these pet foods because of specific product attributes. These foods contain high-quality, hormone- and antibiotic-free, and even organic protein sources; they are free of artificial flavors and colors; many do not contain rendered animal products; they are formulated with complete and balanced nutrition in mind; and their pets love the taste,” said Johnson. “The last item is obviously the most important attribute in influencing customers to repeat their purchase.” ♦

Whole Pet

Food and treats aren’t the only pet categories riding the health and wellness wave. Nutritional supplements for pets have enjoyed rapid, double-digit growth during the past five years, and several supermarket chains have begun expanding their selections as shoppers look for these products outside of the veterinarian’s office.

For example, Giant Eagle, Big Y, Safeway, Schnuck Markets and Dierbergs, among other chains, recently began testing sets of Pet Naturals vitamins and supplements.

The lines include products for dogs and cats ranging from daily vitamins, calming formulas, and skin and coat support, to supplements that treat conditions such as hip and joint problems and digestive issues.

Health enthusiasts will even recognize most of the ingredients on these products, including thiamin (B1) to help dogs relax, omega-3 and omega-6 fatty acids to help cats with hairballs, and glucosamine and chondroitin to ease painful joints.

“Whether they’re Baby Boomers or members of a younger generation, today’s consumers want to live healthier lives and are taking better care of themselves and better care of their animals,” explained Jerry Fitzgerald, national sales manager for the manufacturer. Supplements, he said, can generate up to \$3,000 in incremental profits per year in a 24-inch set.

In addition, shoppers concerned about the harsh chemicals in household cleaners, or the additives in many health and beauty care products, are finding more all-natural options available for their pets.

Pet Botanica, for example, has developed a line of chemical-free, plant- and soy-based pet shampoos, stain and odor removers and pet laundry washes. The products have already begun rolling out in HyVee stores, as well as other retailers in the Midwest through Kehe Food Distributors.

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