



PETS International

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Global trends

Human food and pet food trends • Food safety
Fashion trends • Life-changing technology
Pet retail • Brands and private label
Global market figures



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ultimates[™]

The

ULTIMATE

in Canine
Nutrition



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Holistic Food for Dogs propacpetfood.com ■ MADE IN USA 

Pet food



16



34

Accessories



53

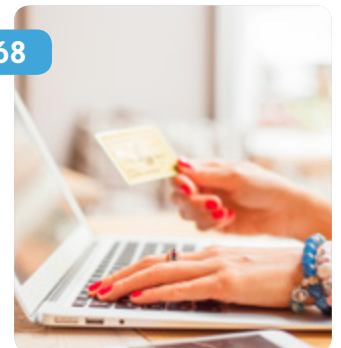
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89

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Global trends

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A world in motion

The 'constant of change' is a concept that has been widely discussed these last few years. Never before has the world around us changed at such a pace, and exciting new developments are the order of the day. Increasing connectivity and globalization create a connected world, radically changing businesses and industries. In this issue of PETS International – our global trends issue – we highlight the most important developments for our industry; in pet food, fashion and accessories, ingredients and production, and retail.

To start with retail: service has become an increasingly crucial distinguisher in a world where online sales continue to grow. Our in-depth interview (see page 70) with the CEO's of our industry's leading pet retail chains – Fressnapf, Pets and Home and Petco – is a must-read. Other topics covered are the crucial role of branding, and the rise of private labels.

Differences between human and pet foods are diminishing with pet foods being formulated to follow human trends.

In the food section of this issue (page 16 onwards), we explore the six most important trends that shape global human food culture, and their drivers. Our ingredients and production section (page 34) discusses pet food safety and food fraud prevention.

In the accessories section (see page 53), you will find a trend forecast for the coming season. What are the trends in shapes, colours, functions and designs and how do these translate to the pet industry? We also look at technological developments: how does cutting-edge technology continue to enhance our lives and those of our pets?

And finally, Euromonitor International has provided a global overview of market figures illustrating the state of the pet industry worldwide (page 90).



Corine van Winden, CEO



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ProBiotic LIVE is a patented natural functional super-premium pet food that contains a live and highly concentrated probiotic bacteria to restore and maintain normal gut functions, ease mobility and boost the immune system. We have already experienced tremendous success on various markets and are therefore seeking new distributors in new markets.

We are looking forward to hearing from you.

ProBiotic¹⁰
LIVE 



September issue

We highlight the pet industry in Belgium, Luxembourg and the Netherlands.

Benelux



The role of pets in society.

Ingredients and production



Pet food and the latest innovations in packaging.

Pet food and packaging

Upcoming issue | Advertising deadline: 28 July 2017 | Publication date: 8 September 2017

Contact head office (see page 96) or local representatives (see page 95).

Pet industry highlights



GlobalPETS Forum Asia 2017
15 November 2017, Shanghai, China
globalpetsforum.com

GlobalPETS Forum Europe 2018
24–26 January 2018, Venice, Italy
globalpetsforum.com



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Correspondence may be edited for clarity or length.

Takeover of Karlie Flamingo GmbH by Pet Supplies Beheer B.V. (Beezteez)

As of 17 May 2017, Pet Supplies Beheer B.V. (The Netherlands), known for their brand Beeztees, has taken over 100% of the shares of Karlie Flamingo GmbH (Germany), better known as Karlie.

The turbulent times of the recent years, in which Perusa was the private investor of the Karlie Group with the intention to combine Karlie and Flamingo into one successful company, did not bring the glory both parties expected.

A few months ago Flamingo, part of the Karlie Group, filed for insolvency. Due to the bankruptcy of its Belgian subsidiary, Karlie Group, and indirectly Karlie, were faced with financial problems.

After Flamingo left Karlie, they looked for new funding with the intention of rebuilding their former glory. In this process they had several options: Perusa could invest again with new cash or they could look around for an industry player with a solid and dedicated track record and industry knowledge. The last option would give a better and robust foundation to rebuild the Karlie's former glory. So, by overlooking the opportunities, the stakeholders involved preferred to go ahead with Pet Supplies Beheer B.V., a company with a long and solid outstanding track record in the pet industry. Beeztees and Karlie will bring back the innovation in the



Karlie company. It goes without saying that they will also ensure that basic fundamentals in the client relationships as well as timely delivery of quality products against the set standards, will be their first priority. To enable this the team of Karlie will stay as it is, also Dominik Müser will stay on board. Karlie will operate under its own brand, as an 'independent' company, enriched with the knowledge and expertise of Beeztees.

With this takeover, both companies are ensured that there is a strategic win/win that will pave the way for a long-term, solid cooperation.

Record revenue online pet store Zooplus

In the first quarter of this year, online pet store Zooplus saw a 24% increase in revenues, bringing them to €275 million (\$300 million). These numbers confirm the estimated revenues of €1.1 billion (\$1.2 billion) for 2017. Investors have been responding positively, causing the Zooplus shares to increase by 8%. The number of international customers grew in 2016 from 4 million to 4.8 million, of which 92% returning buyers.

Interzoo will be organized in Nuremberg until at least 2036

WZF GmbH, the organizer of Interzoo, and NürnbergMesse have agreed to an early extension of the current collaboration through at least 2036. "It gives us the opportunity to expedite the strategic development of Interzoo in accordance with the latest insights into trade fair organization," says Hans-Jochen Büngener, Chairman of the Interzoo Exhibition Committee.

Plaček continues its acquisitions and expansion strategy

At the beginning of April 2017 the Czech chain of pet stores AKVAZOO entered the Plaček Group. AKVAZOO is the fourth biggest chain of pet stores in the Czech Republic with fifteen stores. In the year 2017 Plaček Group has experienced the biggest expansion in the history of the company. During 2017 more than 25 stores will be opened in the Czech Republic, Slovakia, Poland and Latvia. On 26 April 2017 Plaček Group opened a flagship megastore DINO ZOO in Latvia in Riga. This store covers 3,000 sqm. and is the largest pet shop in eastern and middle Europe. Part of this amazing complex is an exhibition hall, the DINO ZOO Arena, vet pharmacy, boutique and grooming area. In two months time a veterinary clinic will also open. The store has the widest range of products and livestock in Latvia, including tropical fish, exotic birds, small animals and terrarium animals. Plaček Group is planning to expand its retail activities to one more country in 2017.



Queen's Awards for U.K. enterprises

Two U.K.-based pet food companies have been awarded with the International Trade Award. Fish4Dogs Ltd was awarded for its export success and penetration of new international markets. Symply Pet Foods Ltd was recognized for its outstanding international growth, commercial success and its contribution to the U.K.'s economy through its pet care products.



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Pet industry highlights

PetSmart, Inc. acquires Chewy, Inc.

Chewy is one of the leading online retailers of pet products and has seen extraordinary growth since it was founded by Ryan Cohen (CEO) and Michael Day (CTO) in 2011.

Since its start it has grown in to a \$2 billion (€1.9 billion) company. Just recently it has been purchased by PetSmart. The indicated acquisition price is \$3.35 billion (€3.02 billion) in cash.

Chewy's position in the growing, underpenetrated online pet retail segment complements PetSmart's strong footprint in brick and mortar, with over 1,500 stores and 55,000 dedicated associates across North America. The acquisition accelerated the execution of PetSmart's strategy and is a critical milestone in its transformational journey to be the most convenient, best-in-class pet retailer. The combination of PetSmart and Chewy will enhance both companies' capabilities and reach, offering the widest selection of pet products and services available, both in-store and online in North America.



FACTS AND FIGURES

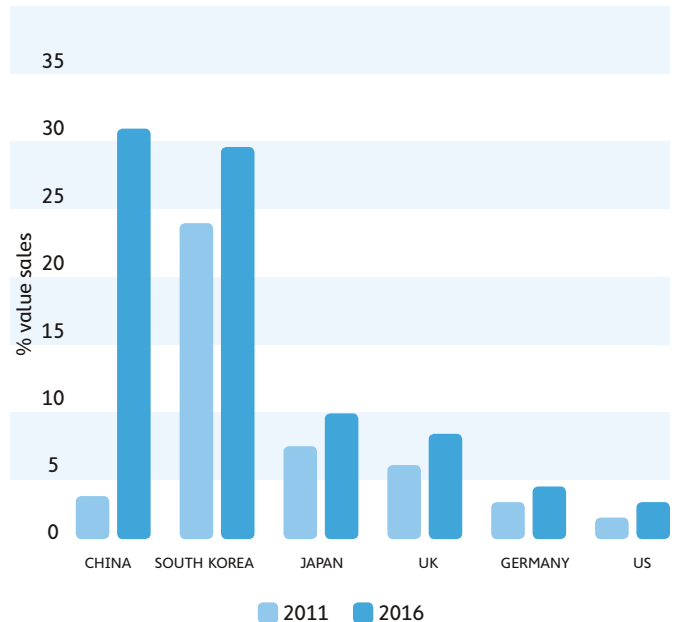
INTERNET RETAIL TURNOVER GREW BY 90% 2012 - 2017

OUTLETS	%
Internet retailing	89.50
Non-store retailing	79.10
Variety stores	16.80
Warehouse clubs	12.10
Pet superstores	9.90
Mixed retailers	7.00

blog.euromonitor.com/2017/05/whats-new-pet-care-2017.html

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% MARKET SHARE OF INTERNET SALES (DOG AND CAT FOOD)





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GlobalPETS Forum



Wednesday
15 November 2017
Shanghai CHINA

A hand is shown at the bottom, holding a glowing digital brain. The brain is composed of white lines forming a complex network of polygons, with several points of light. The background is a dark blue gradient.

**Be Creative
and Innovate!**

**创新则兴，
守旧则殆。**

At this third GlobalPETS Forum Asia, taking place on 15 November 2017 in Shanghai, China, we are offering you the chance to immerse yourself fully in new ways to become a creative, innovative company. Whether you are just starting or an established business, current consumer demands make it essential that you produce and sell your products creatively and innovatively.

What can you expect?

During the forum, our two key speakers will let you experience new ways to deal with innovation and creativity. With the aid of ready-to-use tools, you will (co-)create a working business plan that you can then implement, giving you the edge you need to stay ahead.

Detlef Reis is the founder of Hong Kong-based company Thinkergy. Thinkergy provides leading corporations and organizations with sophisticated innovation and ideation expertise. Its goal is to train organizations to be more creative and innovative in order to gain competitive edge and increase impact.

Tendayi Viki works for the London company Benneli Jacobs, where he helps clients develop an innovation thesis that outlines the arenas they want to work in and the type of innovation they want to conduct. He helps them build a portfolio of business models with core, adjacent and transformational innovation.

Meet global retailers

GlobalPETS Forum Asia enables you to meet leading global retailers and discuss with them the main developments and trends. This inspiring panel discussion will be under the guidance of Dave Bolen (former CEO of Pet Supplies Plus).

The panel will include Michael Frizell (Founder and CEO of PetCircle.com.au) and Weilynn Chiang (Managing Director of Pet Annex Inc.).

Social evening

During the social evening, there will be an opportunity to network with business partners from all over the world and leading decision-makers in the pet industry, giving you a head start at the CIPS trade show starting the next day.

What's in it for you?

- Become a creative thinker and implement a successful innovation strategy.
- Learn from major pet retailers and online platforms from around the world.
- Meet business partners from all over the world.
- Combine the event with the CIPS trade show.

For more information and registration, go to globalpetsforum.com or cipscom.com

The fee for participation is €595 (plus VAT). There is a €50 'early bird' discount if you sign up before 1 September 2017. The price includes all breaks, lunch and the social evening, plus a hand-out. Your promotional material in the gift bag: €50 (plus VAT) per insertion. ♦

GlobalPETS Forum



19th edition
24-26 January 2017
Venice ITALY

Crowd Branding: a Branding Revolution?

Brands dominated the market in the 20th century. Today, private labels have become brands of their own. How do private label brands impact category management, pricing and loyalty? Join us at GlobalPETS Forum 2018 and find out.

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2018 edition

The yearly GlobalPETS Forum is initiated by PETS International and organized by GlobalPETS. Besides being a top-quality conference featuring professional speakers, it is considered to be “the networking event of the industry”.

For its 19th edition in January 2018, the conference travels to Venice, Italy, where the senior decision-makers of the world's leading pet industry players will gather to meet, network and be inspired with the latest trends and developments. GlobalPETS Forum 2018 will take place on 24-26 January 2018.

Crowd branding: a Branding Revolution?

This year, GlobalPETS Forum will focus on branding and private label. We'll discover how the position of brands and private labels has changed and what this means for the entire supply chain. We will also look at the evolution of the pet retail landscape. What will pet retail be like in 2022?

The rise of the webshop as a serious sales platform, and consumers swapping their experiences on social media, have radically influenced shopping behaviour. The customer journey has changed and is still changing. As a senior decision-maker, how will you manage your omni-channel consumer environment, not to mention B-to-B?

What impact are these trends having on category management, pricing and loyalty? How can you deal with this effectively as a manufacturer, distributor, or retailer in today's world?

Retail panel

By popular request, GlobalPETS Forum 2018 will once again host an international pet retail panel. CEOs of leading pet retail channels – traditional as

well as online – will share their visions on current developments, challenges and opportunities, and will engage in a panel discussion with the attendees.

What to expect

- Meet fellow decision-makers and international business partners.
- Be inspired with the latest trends and developments by world-class speakers.
- Discover Italian pet retail in a guided tour.
- Attend a panel discussion with CEOs of leading pet retail chains and online shops.
- Combine business and pleasure at the social evening. This is where the real business takes place.
- All of this against the backdrop of the stunning city of Venice. ♦

To see the complete programme and speakers, go to globalpetsforum.com

Join us!

Attend for €1,495 per person, which includes two evening events, lunches and coffee breaks. Attendance is limited to 200 participants, so sign up now!



Global trends in a nutshell

Dog sharing is the new hot trend

Yes, 2017 is the year of the rooster, but in the sharing economy it's also the year of the dog.

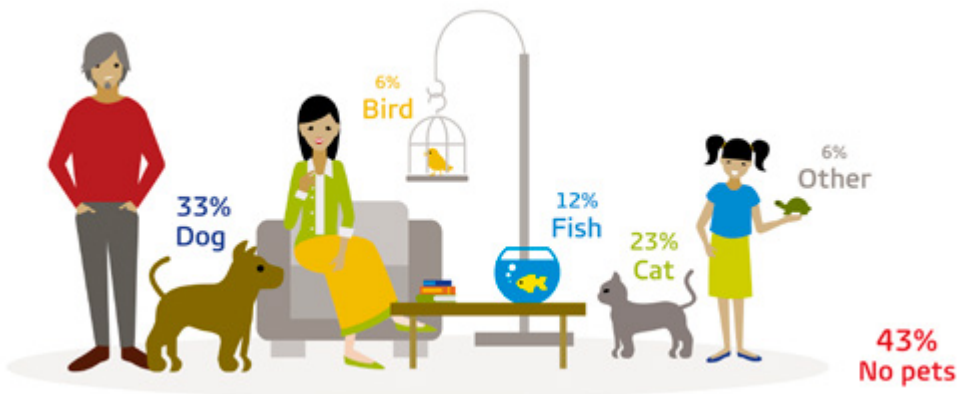
Dog sharing, of course, is as much an inaccurate term as ride sharing and home sharing. These dogs are not being passed around for free. But there's been lots of activity among startups that offer dog walking, dog watching, and other dog-related services.

Dog-sitting platform Rover acquired dog-boarding company DogVacay in an all-stock deal at an undisclosed price. Wag, the self-declared "#1 Dog Walking and Dog Sitting App for Busy Dog Owners", has reportedly raised \$19 million (€17 million) from two rounds of funding over the last two years. There's also Fetch, DogHero, BorrowMyDoggy, HouseMyDog, BabelBark, Baubnb, and HappyTail. In 2016, the pet care market was estimated at \$103.6 billion (€95.3 billion) globally, and \$44.7 billion (€41.1 billion) in the U.S. alone, according to market research firm Euromonitor. Some, like Rover, are looking beyond canines. "We're going to be taking a close look at anything that can help people become amazing pet owners despite the challenges of modern life," Rover CEO Aaron Easterly told TechCrunch. ♦

Source: Alison Griswold for Quartz – qz.com

Pet ownership internationally

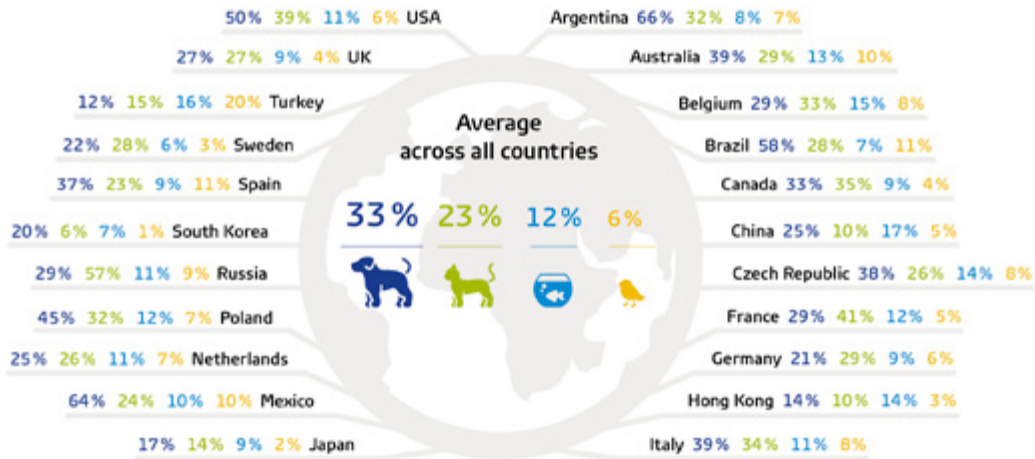
Percentage of people living with different pets across 22 countries.*



Source:

GfK survey among 27,000+ internet users (ages 15+) in 22 countries (multiple answers possible; rounded)

Global trends



Source: GfK survey among 27,000+ internet users (ages 15+) in 22 countries (multiple answers possible; rounded)

What's new in retail

Innovation is at the forefront of the retailing industry as companies implement new strategies and formats to enhance customer experience.

Within the **grocery category**, polarisation continues as shoppers are less interested in mid-market grocery products. Grocery retailers are adapting to customers' omnichannel shopping behaviour. The key area of innovation for grocery retailers is developing a sustainable delivery model.

Within the **non-grocery category**, achieving omnichannel proficiency is increasingly becoming a priority for retailers. Physical stores are becoming a place for experiential shopping versus transactional, which is being claimed by online channels due to greater convenience.

Within the **non-store category**, retailers are prioritising innovation around logistics. Retailers in the non-store category are innovating as well as partnering with non-retail companies to better serve their customers.

Within the **digital category**, innovative concepts are focused on mobile commerce in the context of omnichannel retailing. Innovations that focus on providing seamless and personalized shopping experiences that integrate both physical and digital realms are likely to prevail. ♦

Source: Euromonitor International

Trends in pet supplements

When people think about pet health, the focus of attention is usually on pet medication and pet food.

However, pet supplements are increasingly relied upon by dog and cat owners to help their four-legged companions live longer and live better. Packaged Facts estimates that from 2012 to 2016, pet supplement sales managed a compound annual growth rate (CAGR) of almost 4%, with sales of \$580 million (€534 million) in 2016. Dog owners purchase the majority of pet supplements, buying three times as much as cat owners.

Here are Packaged Facts' five other important trends shaping the pet supplements market:

1. Joint health, digestive health, and **condition-specific** supplements have the potential to compete with formulated pet foods and treats.
2. Supplement marketers have begun addressing the issue of **palatability**.
3. **Cat** supplements offer more than hairball relief.
4. For **natural** pet supplements, turmeric/curcumin crosses over from the human market.
5. **Cannabidiol** supplements generate interest, and pose problems. ♦

Source: Packaged Facts





Global trends: pet food

Pet food trends follow human trends, which in turn are driven by far-reaching, worldwide, long-term megatrends. We explore the six most important trends that shape global human food culture, and their effects on pet food.

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Nature's Protection LITHUANIA	33



Human food trends

International drivers of food trends and the trends that have the substance to shape the future of gastronomic cultures in America, Europe and Asia.

Reflection of the future

Businesses need instruments to guide their decision making and help them to position their products in the broader context of international supply and demand. Trends are among these instruments. Trends serve as a reflection of the future, providing a better understanding of things to come. And this is of increasing importance in a world that is becoming more and more connected. Generally, the word trend is most often used to refer to some temporary fashion in the marketing arena, with 'hype' as the superlative version of the term in the sense of a, usually media supported, megatrend, like green smoothies, bubble tea or fermented vegetables.

In the more serious context of trend watching and future research, however, these are mere superficialities, short-lived fashion phenomena.

The concept of food trends, in other words, refers to something entirely different – the analysis of long-term processes of change, innovation and development in national or regional cuisines, gastronomic cultures and communities.

And these trends are only relevant when they also offer solutions for current problems, changing tastes or preferences.

Fuelled by global networks

Food trends are driven by far-reaching, world-wide, long-term megatrends like individualization, globalization, health and neo-ecology. But their weight is carried by people – highly connected consumers who care deeply for food and food products. As a result of the ever-increasing role of global networks in general and social media in particular, food trends are shared faster than ever before, often proliferating across cultural boundaries almost instantaneously.

Success however, remains limited to trends that manage to find 'regional translators', in other words, individuals and businesses capable of locale-specific conversion of the basic solution suggestions into practical products and services. After all, the governing issues of health, quality, naturalness and taste are subject to culturally divergent interpretation and significance.



Six global food trends

In today's international food industry, the following six semi-global food trends serve as primary indicators for the predominant mood among 'nourishment elites' in the different culinary regions.

For even though the number of parties involved may initially, and for obvious reasons, remain relatively small, their protagonists are highly active, sincerely involved and deeply engaged. Their energy moves more people than ever before, their reach is wider and the speed of their impact is impressive.

They trigger a dynamic that spreads, in a number of consecutive waves or steps, from the originating centre to the furthest corners of the surrounding environment or, more accurately, from the avant-garde outposts of early adopters to the social common ground of general acceptance.



1 Green food: Durability as society's new group dynamic

Durability, in the current market conditions, carries a hefty price tag. Fair trade coffees, organic textiles, solar heating and electric cars are more expensive than 'normal' products.

In the future, commitment to durability will increasingly become an everyday chore. As a society, we can no longer afford not to be durable. Within our connected global culture, the world is getting smaller all the time.

We cannot hide from the truth, we cannot sit around and wait for someone to come up with the answer. As a result, a new group dynamic is emerging.

Already, according to a 2016 Nestlé study, 50% of German consumers are in favour of combining healthy diets with sustainable use of natural resources. A choice that more and more consumers will subscribe to in the future.

2 Local food: The power of locality and regional products

What is it that is lacking in a digital world of global connectivity? What we miss most are genuine, home-grown products – our roots, our tradition. There is a new enthusiasm for, a re-discovery of regional goods, food products in particular, which is reflected in a new marketing elan as well.

Boutique bakeries offering regional products, high-end restaurants focusing on the specific local palette, market halls in cities large and small thriving on the willingness of this world's globalists to pay top dollar for authenticity and originality.

► SEE NEXT PAGE

Current drivers in the changing food culture

Individualization

Individualization entails the freedom of choice. Never before has there been so broad a diversity of options as to what and how we choose to eat, in terms of the clothes we wear, the lives we lead, the way we work and the relations we engage in. There are also many different shapes and forms of individuality, be it rebellious, hedonistic, extreme, sensitive or emphatic. Food is a perfect illustration. The future interpretation of individuality will be less about ego and more about caring. The major trend is broadening in scope – today's individualists are seeking communality, creating a new, collective culture.

Health

Health is no longer a merely agreeable or desirable condition. It has become a goal in life and the fulfilment of life's ambition. The current trend is that of an ever more intimate union of the psychological and physical aspects of being, in which happiness and health are two sides of the same coin. People are taking responsibility for their own health. They are more knowledgeable than ever before and more confident in their dealings with health and health care systems. Detoxing, new eating patterns, exercise and self monitoring have become integral components of health as a cultural dimension of modern life.

Neo-ecology

Organic products are intensively tested on quality, diets are becoming flexible, if not completely meatless and industrial systems will have to adapt. Production processes will have to move to a waste-free model of operations, based on recycling of raw materials. For what we see emerging is a consumer culture cantered on the megatrend of neo-ecology. People are not interested in just buying products anymore, but increasingly basing their choices on environmental considerations, while new technologies are facilitating alternatives to the traditional culture of disposable products and consumerism.

Globalization

Looking at the facts, globalization is not a threat as much as it is a treat. A connected, converging world is in many ways a better place to live. The internet, as a truly global medium, is driving global culture in the virtual universe. At the crossroads of connectivity and globalization, friction and disruption are creating new countertrends that emphasize regional and local idiosyncrasies. The predominant world ordering principle remains diversity, but the centres of gravity are shifting – away from Europe and the United States and toward new major players in the market place, Asia in particular.



3 Prosumerism: Consumer influence on the production of foods

'The consumer is king' – to the 21st century consumer the old maxim means more than merely ample choice from an ever-available multitude of products. It also applies to the way production processes operate. In the transition from an era of industry to the age of knowledge, what matters most are authenticity and trust. In this sense, the modern prosumer plays an active part in the paradigm shift shaping the future of the food industry – 'better instead of more'. To the consumer, quality, freshness and naturalness are becoming ever more important.



4 Spiritual food: Eating as a moral activity

Traditionally, food priorities were mostly related to culinary preference, health considerations and ecological issues. Today, the focus is on spirituality. Eating is increasingly becoming an almost religious activity, with halal, kosher and vegan as the new keywords in an emerging semi-global trend.



**5 Infinite food:
Food as a means of self-expression**

Over the past twenty years, in our affluent societies, food has acquired connotations it has never had before. But the matter is complex. In an age of individualism, food is eminently suited for the role of social distinguisher. Just look at the enthusiasm with which consumers share pictures of their meals through blogs, on Facebook, Instagram and other social media. In Germany, this applies to nearly half the population (46%).

6 Flexitarians: Meat versus vegetables

In large parts of the industrialized western world, as well as in the United States, the century-old craving for ever more meat has already ground to a halt. In Europe, meat consumption, after having sharply risen in the 1960's, is evening out at an admittedly still pronounced level, while in the U.S. it is slightly declining. In the booming economy nations of Asia however, the lust for meat is still increasing.

There, as in post-war Europe, meat is a social status symbol. But China in particular is learning fast, with new diet recommendations recently having been issued by the authorities encouraging people to cut back on their meat consumption patterns. There is even a new catch phrase in the ideological debate on sound and sustainable eating: flexitarianism. Flexitarians are predominantly vegetarian, but they also appreciate good quality meat and fish.

This will not only change the quality demands applied to meat, it may also lead to new forms of animal farming and new models of meat production. ♦



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 futurefoodstudio.at



From the plate to the bowl

Differences between human and pet foods are diminishing with pet foods being formulated to follow human trends.

Global trends: pet food

Globally, last year, more than 80% of new pet food products had a health claim.

Dietary requirements

Whilst a complete pet food is formulated to meet the dietary requirements of your pet, the majority of human food is formulated to meet some dietary requirements along with other attributes, such as satisfying indulgence.

However, differences between human and pet foods are diminishing, with pet foods being formulated to follow human trends, such as non-GMO ingredients, allergy free and grain free. In the United States 53% of all new pet food launches claimed to be clean label, that is no additives or preservatives. Globally, last year, more than 80% of new pet food products had a health claim.

Sources of protein have been a 'trend to watch' for several years. The current protein fight in the food industry is between whey (from dairy) and plant proteins. Inclusion of whey protein in human food has been diminishing whilst plant protein has increased in use. In an attempt to increase the sales of whey and other animal proteins, blends are being produced with plant proteins, with the aim of providing novel functionality. Sales of new pet food products 'high in' or 'novel protein from' claims are on the increase and this theme should continue with these novel protein blends.

Probiotics and prebiotics

Sales of human food with probiotics are expected to grow through to 2021. Companies manufacturing probiotics and manufacturers of human food containing probiotics have joined to form a consortium, with the goal to regulate their industry in order to supply products that can be shown to have efficacy and meet claims. Continued and increased use of pet food products containing probiotics should grow, especially if health claims are underpinned by quality focussed research.

Whilst prebiotics have been included in pet food for many years it has not been common practice in the human food market. The reason is that human food consumers have not understood that bacteria within the human gut (microbiome) need to be fed. Research on prebiotics has shown they can have a beneficial impact upon the microbiome.

It is expected that as more discussion takes place regarding the microbiome, more attention will be given to the impact of providing benefits for digestive health, management of blood sugars and cholesterol, immune health and cognition.

Prebiotics is a general classification for a range of functional fibre products. Depending upon the source of the prebiotic they have slightly different properties and benefit specific bacteria, i.e. it will be a mix of prebiotics for which more health claims can be made.

It is expected that the human food global market in 2024 for prebiotics will be just over £5.5 billion (\$7.06 billion – €6.46 billion). The growth of the market will be driven by new products in human food and drink. However, as prebiotics are already added to pet food more will be made of the benefits of these ingredients and marketing messages translated as if for human use.

Individualized and tailor made

With so much free information on the Internet and advice on social media on health and nutrition, today's consumers quickly decide what is best for them, their families and their pets.

► SEE NEXT PAGE

Evolution by ingredients

NATURAL INSTINCT



**ZERO
CEREALS**

HOLISTIC NUTRITION HIGH FRESH MEAT

Natural ingredients that respect the evolutionary origin of dogs and cats

Primordial

by Mister Pet

GRAIN FREE



Global trends: pet food

As human consumers become more aware of individualized nutrition they will feel ever more comfortable with making their own dietary decisions. The consequence will be that consumers will be less interested in the recommendations of government and public health authorities.

Coupled with the above convenience has become part of everyday life, most pet food fits into this philosophy, but it is expected in 2017 there will be more products targeted to consumers' individual tastes, diets and even microbiome.

Google is developing needle-free blood-drawing technologies, and data relating, to say, our micronutrient levels will be interpreted on smart phones. The aim is for these smart technologies to analyze for example, our micronutrient needs each day and information is digitally passed to novel home processing devices. These devices will then custom process smart food containing personalized micronutrient levels in order to meet our daily needs.

The three trends discussed above are all consistent with bespoke products and there is no reason to believe this will not happen in the pet food industry. It is easy to envision tailor made pet treats, which contain appropriate micronutrient levels. Instead of selling a complete pet food, expect a rise in sales of ingredients and blends for the pet owner to produce their own food for their pet.

Sustainability and functionality

Sustainability has become a household word and companies strive to show their sustainable credentials. Expect to see more companies proclaiming their sustainability programmes through messages on packaging like 'our solar panels generate enough power to make x packets of pet food and reduce carbon dioxide emissions.'



In the human food market sales of glucosamine and chondroitin have been falling. Alternative ingredients take their place. As we look for alternative medicines or ingredients with functionality, Ayurvedic herbs are bringing consumers their desired wholesomeness, health and wellness. Two of these herbs, boswellia and turmeric, are being used, either independently or as a mix, to reduce joint inflammation in humans. Recent scientific studies show positive results for this. Again, expect to see products aimed at joint-care health containing these herbs being used in the pet food market.

2017 will see a mix of new products, new ingredients in the pet food sector being used and more made of scientific research to promote the efficacy of currently used functional ingredients. ♦



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Shandong Luscious Pet Food Co., Ltd CHINA Tasty and natural pet treats

New snacks are coming: cheese knot (duck), dental knot (chicken) and chicken biscuit with millet and carrot, or with millet and seaweed. Founded in 1998, Shandong Luscious is one of the largest pet treats manufacturers in China with 2,300 employees and its own chicken farms, duck farms and slaughterhouse. The company's extensive product range includes dry meat snacks, dental chews, biscuits and canned food. They received HACCP, ISO9001, BRC, SMETA, BV, GMP certificates.

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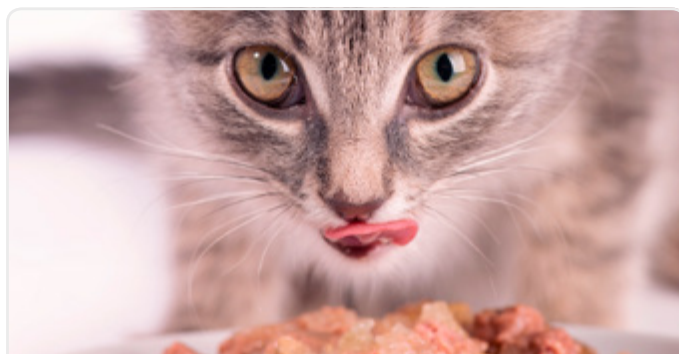


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Wanpy CHINA Wanpy sold in more than 50 countries

The company was founded in 1998. Their mission is to promote the healthy development of the Chinese pet food industry and they devote themselves to a healthy life for all pets. The company currently owns nine subordinate factories, seven based in China, one in the U.S. and one in Canada. They successfully sell their own brand to over fifty countries and have a sales network in over 100 cities.

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Dolina Noteci POLAND Get to know us! High-quality products in harmony with nature

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Pet health is a gut feeling

While pet humanization is not exactly a new trend, the belief that pets are full-fledged family members continues to grow. Today more than ever pet owners pay close attention to what ends up in their companion's bowls.

Only the best

Pet food buyers demand quality, top grade products made from first class ingredients. And what's more, they want the best supplements and additives to go with it. Nutrients, multivitamins, anti-oxidants, omegas; the list goes on. And now there are galacto-oligosaccharides. Prebiotics that offer considerable health benefits, especially for pets.

Human consumption

When it comes to our overall health, it's the little things that count. Our bodies are literally packed with bacteria, both good and bad, and together

they determine our physical state and well-being. For health's sake, it is critical to maintain a positive balance. By taking probiotic supplements, such as bacteria enriched yoghurt and yeast products, live bacteria can be added to the microorganisms already dwelling in our intestines. But one can also choose to feed the beneficial bacteria directly. And that is where prebiotics come in.

Instead of adding new bacteria to the digestive system, prebiotics are designed to fuel the existing ones to thrive. Keeping your gut in prime condition is a healthy thing to do. For people and pets.



Prebiotic supplements present significant health benefits for pets.

Significant health benefits for pets

Prebiotics work wonders for the gut. They contribute to a healthier and better-balanced microbiota and counter pathogenic bacteria with a natural and diverse response. By inhibiting bad bacteria to foster, and selectively stimulating healthy bacteria in the colon to grow and perform even better, prebiotic supplements present significant health benefits for pets.

For one, prebiotics offer an effective reinforcement against digestive disorders, such as diarrhoea and inflammatory bowel disease. And the result of an optimally functioning intestinal tract is noticeable right away. Adding prebiotics to a dog's diet reduces faecal odours and promotes more solid stools, easy to collect and dispose of.

New source

The bacteria-boosting supplement can be extracted from a number of sources. There are prebiotics made from resistant plant starch, inulins and fructooligosaccharides (FOS) derived from chicory and artichoke roots, and oligosaccharides (SOS) found in soybeans. The latest prebiotic taps from another source. Instead of working with vegetable potential, galacto-oligosaccharide (GOS) relies on dairy power to improve its host's intestinal health.

Mammal milk

Like all prebiotics, galacto-oligosaccharides are sugar made indigestible fibres. After ingestion through food or supplements, they pass through the stomach and the intestines intact, ending up in the colon where they are consumed by various microbial species. GOS is composed by a chain of galactose sugars of variable lengths and is considered to exert one of the most potent and beneficial effects among prebiotic fibres. Made from fibres found naturally in mammal milk, GOS is the prebiotic of choice to

supplement milk replacers. Moreover, the lactose derivative also plays an important role in addressing some of the key challenges faced by today's cats and dogs. From obesity and diabetes to cancer and kennel cough, galacto-oligosaccharides offer effective protection against a wide variety of diseases and disorders that threaten or affect the health of our favourite companion animals.

Too good for just human consumption

Galacto-oligosaccharides are all but new to the prebiotics range. GOS were first produced in Japan as food ingredients some thirty years ago. Since then their application has expanded rapidly all over the world. Made from lactose to resemble a specific carbohydrate in breast milk, GOS are widely and frequently used in infant and follow-on formula.

What *is* new, is that the lactose-based supplement is now available for pet food purposes. In response to pet food dietary developments and anticipating growing consumer demand, IQI has recently added GOS to its product portfolio. As a supplier of premium pet food ingredients, we are convinced that quality supplements are an enrichment to the menu. As long as GOS contributes to a better and healthier pet diet, and as long as the production process is safe, transparent and fully traceable, we are all in. Besides, the benefits of galacto-oligosaccharides are too good to keep for humans alone. Pets deserve a healthy gut and healthy life just as well. ♦



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Nature's Protection LITHUANIA

From family pets to fifty countries worldwide



Akvatera, the manufacturer of Nature's Protection, has successfully expanded its export activities over the past five years. It is now present in fifty countries in Europe, Asia and the Middle East.

Super-premium brand

Nature's Protection started out as a way of ensuring the health, vitality and wellbeing of the pets and kennels belonging to the company's founders. Their employees' care for animals ultimately resulted in perfect pet food formulas and a super-premium dog and cat food brand.

In 2016, the company began exporting to Japan, South Korea and Thailand. Export procedures to Asian countries are complicated, and the selection process for imported products is meticulous. The company is proud that it rapidly acquired a strong presence – proof that its product quality meets and exceeds consumer needs.

Partners and brand ambassadors

"Partnership, mutual comprehension, flexibility and a deep understanding of

customer needs help us work in many different countries. Customers differ in ideology, culture and mentality. Of course, our customers are purchasers, but most of all they are partners, brand ambassadors and representatives. Together, we work towards common goals. Distributors can rely on us and be assured of solid backing," says Paulius Ausmanas, Head of Exports.

External partners are stringently evaluated and selected, since the company intends to work exclusively with professionals who are market leaders and experts on their country's culture.

"Our key advantage is the uniqueness, quality and exclusivity of our products, along with non-standard business models, a personalized approach, and co-operation with our customers."

Natural environment

The company's products are manufactured in a natural environment. Lithuania's clean air, and the forests, lakes and rivers surrounding the factory, significantly enhance product credibility. "We strongly emphasize sustainable development and are concerned not only with the product, but also the environment where it is produced," Paulius adds.

The Nature's Protection brand is relatively new, but already well known in many countries. The company's ambition is to distribute worldwide, and Paulius sees huge potential in the United States and China. Although competition there is intense, he regards this as an incentive to improve, grow, and relentlessly focus on satisfying the specific nutritional requirements of pets. "For us, it's not just business; it's a lifestyle. Our business is based on personal responsibility and the will to supply pets' basic needs." ♦

♦ **Ltd "Akvatara"**
info@naturesprotection.eu
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Ingredients and production

The increasing humanization of pet foods is driving advancements in the design and choice of production machinery, in the quality, safety, and traceability of ingredients, and in regulations producers must now follow. It also means standards of both food safety control and food fraud prevention are being raised.



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Natural companions

**With the humanization of pets comes the humanization of pet food.
Food for pets is becoming as safe and wholesome as ours.**



Humanization

Not that long ago, raw materials for pet food came from off-cuts, rejects, and scrapings off the factory floor. No longer. Pet food manufacturing, in terms of ingredients, safety and automated equipment, is approaching food manufacturing methods and standards for humans.

A main driver is 95% of pet owners who, according to Nielsen, consider their furry friends to be part of the family, up 7% from 2007. In some circles, pet owners are actually referring to themselves as pet 'parents'. They want their four-legged charges, like their kids, to be safe, happy, and most of all healthy and well-nourished.

Pets and humans are natural companions. We always have been, and always will be.

With the humanization of pets comes the humanization of pet food. The gap between their food and ours continues to narrow. As with us, many pet owners are saying no to GMOs. They want wholesome ingredients, and expect that in food containing chicken, for instance, ingredients come from birds that roam free and that the farmers who produce them, use grains, vegetables and other raw materials, and apply sustainable farming methods.

They want transparency in regard to where the food comes from and where it is produced. They want to know specific nutritional information from clear and honest labelling. But most of all they want to know their pet food is safe.

Regulations

FDA has responded, according to Steven Blackowiak, Director of Food Safety and Research at Bühler Aeroglide, a major food equipment producer in Cary, NC. He points out that FSMA now expects pet food to follow the food industry with the same focus on hazard analysis, preventive controls, production and monitoring procedures, corrective actions, verification and record-keeping. "Updates to rules are all trending toward a standardized, more strictly regulated environment, and as food regulations get applied to pet food, the needs for processing equipment will be similar," he says.

This means that the increasing humanization of pet foods is driving advancements in the design and choice of production machinery used to produce them, in the quality, safety, and traceability of ingredients they are made from, and in regulations producers must now follow to manufacture them, including HACCP, TACCP, and VACCP.

► SEE NEXT PAGE

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Food fraud

HACCP, TACCP, and VACCP are all part of a Food Safety Management System that falls under the overall Food Fraud umbrella developed by GFSI. HACCP, as everyone knows, is all about food safety, preventing unintentional, accidental adulterations and infections. TACCP is focused on food defense, preventing intentional criminal adulterations, including product tampering and poisonings (think Tylenol). VACCP, on the other hand, is about food fraud driven by economic gain. Examples include mislabelling of foods (turbo for cod for instance), the horsemeat scandal that occurred in Europe not long ago, and countless others. Pet foods are vulnerable to all three, and are now expected to be protected by the same production and monitoring controls as human foods.

Leading by example

Champion Petfoods LP of Edmonton, Alberta, is setting a benchmark. The company began in 1965 and has since spread its products and philosophy to countries across North America and the world. "There are many important key areas where pet food safety practices are moving more in line with human food safety, specifically in the U.S. under the FDA FSMA Animal Food Rule," says Champion President and CEO Frank Burday. "This requires practices such as supplier and ingredient verification, validation of critical manufacturing processes, enhancement of good manufacturing practices, establishment of preventive control-based food safety plans, finished products and environmental monitoring programme validation, food safety crisis management, and recall plan simulations."

He says that the area where the pet food industry has advanced its food safety mandate is in line with human food to control risks associated with nutritional deficiencies and toxicities specific to different pets and their respective life stages.

At risk

Mitchell Weinberg, President and CEO of Instatech Inc. of New York, NY, a company known for their expertise on food fraud, says pet food is far more at risk than human food, mainly because pets aren't regarded as important as their owners. "The industry has to be more vigilant where they are sourcing. The industry has to be really careful on where food is being documented and traced, or we're going to be having greater problems, not only with pet food, but also with human food," he notes.

"Our food source is at risk, and that is human food as well as pet food, because of economically motivated adulteration. My feeling is that we are one catastrophic event away from how dangerous this situation is. If the food industry continues to source from questionable sources from cheaper locations around the world, without validating what's happening and investigating, it's dangerous."


Natural companions

Pets and humans are natural companions. We always have been, and always will be. Our food sources are the same, and deserve to be preserved and protected at the highest level. And forces and policies exist that will, hopefully, help to ensure they will continue to be. ♦



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Food fraud and vulnerability



Pet food is vulnerable to fraud. But standards of both food safety control and food fraud prevention are being raised.

EMA and consumer trust

Ask consumers if food fraud, including economically motivated adulteration (EMA), is a 'new' phenomenon and they may think about the current 2017 Brazilian meat scandal, the 2013 European horsemeat scandal or the 2008 Chinese melamine adulteration of milk powder, which hospitalized 52,000 children and killed six. However, as outlined in a 2014 U.S. Congressional Research Service report, EMA goes back thousands of years, with examples of adulterated wine, oil and spices.

EMA costs the global economy an estimated \$49 billion (€46 billion) a year and has the potential to cause illness or death or simply defraud the consumer buying a product that is not what it claims to be. Even if food safety is not compromised, EMA can destroy consumer trust.

Food fraud and pet food industry

A 2015 Price Waterhouse Cooper-report detailed megatrends affecting consumer trust in their food. Amongst others, this highlighted both food safety and food integrity as concerns. With 'pet parents' now expecting the same standards of food safety and integrity in pet foods, these findings are equally important for our industry.

Pet owners and the sector were shocked in 2007, when the biggest recall in the history of the industry occurred, following use of Chinese wheat gluten adulterated with melamine and cyanuric acid.

Widely used in pet food and sold based on protein content, 'high' protein wheat gluten commands a higher market price.

Ingredients and production

Even if food safety is not compromised, EMA can destroy consumer trust.

Deliberate adulteration with cheaper material that artificially increases protein content, therefore opens the way to sell adulterated material for more money. The 'melamine crisis' was a clear-cut case of food fraud. Post-crisis, anecdotal evidence on social media indicated a greater interest in pet owners making their own 'homemade' pet food, due to loss of trust.

Raised standards

Since the 2007 crisis, and with pet parents' greater expectations, standards of both food safety control and food fraud prevention have been raised in the pet food supply chain. This is evident with the development of the U.S. Food Safety Modernisation Act (FSMA) and enhancement of global third party food safety certification systems, like BRCv7, to include food fraud vulnerability assessment.

FSMA imposes wide ranging regulatory requirements, including control of import safety and supplier verification. BRCv7 now includes greater focus on supplier management.

Think like a criminal

An essential requirement of these 'new' food control systems is systematic assessment of where EMA can occur in the supply chain, a process facilitated using a tool called Vulnerability Assessment Critical Control Point (VACCP). VACCP is similar to ensuring safe food through application of Hazard Analysis Critical Control Point (HACCP) in that both use objective risk assessment.

With EMA, VACCP helps identify which raw materials might be susceptible to adulteration (e.g. wheat gluten), where this might happen in the supply chain (e.g. a trader) and what controls are required (e.g. supplier quality assurance). Due to the complexity of supply chains, VACCP is not easy and requires a skilled team. It is also important to 'think like a

criminal': what materials are worth adulterating for economic gain and where in the supply chain can this be most easily done?

History shows that food fraud evolves as new opportunities present themselves. To maintain effectiveness, it is important to identify potential new EMA threats using 'horizon scanning'. For example, increased EMA of identity preserved materials (e.g. 'organic') might be an area of concern with the continued humanization of pet food and one that might be identified through this process.

Recently seen in the pet food industry, it is also important to note that finished products can still be the subject of food fraud, with 'fake' super-premium products packed in similar packaging appearing in the market.

Cloak and dagger approach

To complete our approach to pet food safety and trust, we also need to consider a process known as Threat Analysis Critical Control Point (TACCP). TACCP requires a 'cloak and dagger' approach to look internally on our own site at where malicious contamination might happen and implement controls.

In conclusion, humanization means we must now consider total pet food protection and help ensure consumer trust through a combined system, based on HACCP, TACCP and VACCP. ♦



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Mixing quality

Pet food producers should pay attention to mixing homogeneity and carryover to ensure product quality of pet foods.

Increasing demands

According to the Alltech Global Feed Survey, dry pet food production reached nearly 25 million metric tonnes in 2016, with a global pet food production increase of 10.6% over 2016. To satisfy increasing demands, production capacities in pet food plants are often pushed to the limits. But quality should not be compromised.

Ingredients and production

Mixer testing is both economically and ethically justified, for any change in mixing processes.

Homogeneous diet

Mixing is one of the most essential operations in pet food production. Only a homogeneous diet will provide all necessary nutrients to pets. Excess variability in diet composition can have adverse effects on process parameters, and product quality as well as on pets' health. If mixing time is longer than optimal, production capacity of the mixer is decreased, which eventually may decrease the capacity of downstream equipment. Also, a prolongation of mixing time can cause de-mixing of dry mixes, with additional use of labour and energy. On the other hand, if dry blends are not completely mixed, portions of pet food will deviate from prescribed formulations.

In practice, it is impossible to obtain ideally homogeneous mixtures. Coefficient of variation (CV) is the parameter usually used for evaluation of mixer performance and mixture uniformity. Lower CV values indicate that mixtures become more homogeneous. Mixing time should be determined individually for a combination of specific mixer, specific mixing parameters and specific mixture. Therefore, besides periodically routine testing, mixer testing is both economically and ethically justified, for any change in mixing processes.

Risk of carryover

Besides mixing homogeneity, pet food producers should pay attention to carryover in their plant. Carryover is the contamination of material or product with another material or product that originates from previous use of equipment. Carryover can occur in different parts of the plant, so specific constructions of equipment combined with regular equipment inspection and cleaning, are required to prevent carryover in pet food plants. This enables implementation of corrective measures for minimizing contamination risks.

Quality and quantity

Nowadays, regulatory authorities in many countries are increasingly concerned with ensuring that all micro ingredients are added in pet foods as formulated (homogeneous diets), without residues from previous batches (no cross-contamination).

Various substances have been used as tracers to measure feed mixing efficiency. However, experimental determination of carryover in the pet food plant cannot be carried out by means of real additives, due to high dispersion of the analytical results. Thus, instead of additives, indicator substances (tracers) are used. For example the coloured iron tracer particles (Microtracers™), which can be magnetically separated from the formula feeds, have successfully been used in practice for both homogeneity and carryover testing.

Pet food producers must take responsibility to provide quality products to pets, by implementing quality control procedures, among others. In accordance with legislation, the proof of the mixer performance and working accuracy of the plant are key points for proving process quality in pet food mills. However, improving production quality must not compromise the quantity of products supplied. ♦



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Track and trace

In recent years, transparency and traceability became important topics for both the food industry and consumers. How can the pet industry benefit?

Explaining the concepts

Transparency is about knowing all participants in a supply chain, in every single tier. It is the map of a supply chain. In more complex supply chains, the entire chain might comprise fifty or more companies. Knowledge of the supply chain, with all

Ingredients and production

*Traceability is
the GPS on the transparency
map of a supply chain.*

its raw, semi-finished and finished products, offers companies lots of information that can influence inbound and outbound processes and parts of their business. Transparency data are static since they are not related to production batches.

Traceability provides an opportunity to acquire 'higher resolution' data. Companies can get product related information on a batch level (origin, day of slaughter, catching method etc.). The information is dynamic: a continuous transfer of information from all participants is necessary. This also means that information for each finished product type can be different. Traceability is the 'GPS' on the transparency 'map' of a supply chain.

Ultra-fresh food sector

Traceability is mostly found in ultra-fresh food sectors focusing on meat and fish, but it is becoming more and more relevant in ranges such as fruits and vegetables, dairy and mixed products as well.

Over the past five years, batch-based traceability solutions (like the GS1 compliant solution fTRACE) have become an established solution in the meat and fish sector. Some solutions are designed as open, standardized and extensible solutions for all food and non-food industry products. Others are developed quite proprietary. However, in a world of global connectivity and interoperability, the standardized approach seems more future-oriented.

Raw material suppliers in the meat and fish sector in particular can benefit from traceability solutions, to fulfil both statutory and food safety and sustainability requirements. Through all stages of supply chains, companies can use these solutions to transfer information in a standardized way, resulting in the exchange of high volumes of data on raw materials traded in the EU.

Since those raw materials can be used in both human and pet food products, the global solutions, like fTRACE, already have the data stock to enable the pet food industry to reap traceability benefits.

Benefits for companies

Traceability offers companies several benefits:

- Analysing and pre-checking data before processing the physical goods;
- controlling and improving internal processes;
- legal certainty for products promoted with origin or certification;
- incidents can be directly verified in the live system in terms of an issue/recall.

Legal certainty is especially important. When promoting products made from fish or meat with statements about origin or specific certifications, such statements must be true and verifiable. Even for pet food. Traceability supports companies in meeting these legal requirements.

With end consumers becoming more demanding regarding topics such as sustainability, origin and organic production, even for pet food, traceability offers retailers and companies an opportunity to fulfil requirements and to increase consumer trust significantly. Most of the data are already available. So why not start today? ♦



Mark Zeller
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Crush on soybeans



Selecta focuses on soy industrialization and provides high value-added soybean products for aqua feed and (young) animal nutrition.

Soy industrialization

Selecta is a South American company (Chile-Brazil), with over thirty years of experience in agribusiness, focused mainly on soy industrialization.

Founded in 1984, Selecta began its activities with the production of soybean seeds and other products for agriculture in the Mid-West region of Brazil. Over the years, it has become a noticeable supplier of other ingredients and an important purchaser of grain for export.

In 2009, its industrial soybean crushing plant was commissioned in the Minas Gerais State in Brazil. Thus began a new phase, focusing on the production of high value-added ingredients for animal feed and the food industry. Currently the company is known as one of the main manufacturers of sustainable vegetable proteins for the animal feed industry, both in Brazil and abroad.

Company mission

Selecta's mission is to provide high value-added soybean products destined for animal nutrition, food, chemical and pharmaceutical industries worldwide, with a clear focus on respecting international quality standards. Through innovative projects, the company produces Soy Protein Concentrate (SPC) for the aqua feed industry and young animals. Besides SPC, it also produces soybean oil, lecithin, tocopherols, hulls and soy molasses.

Selecta is fully committed to the environment. The company is committed to conducting its business by relying on the highest quality standards for its products and maximum sustainability in the whole chain, from the moment soybeans are purchased from Brazilian farmers up to the professional relationships with customers, as well as the way the employees are treated.

High-quality soy protein concentrate

Selecta's SPC is considered one of the highest quality soy protein concentrates available on the market. SPC is obtained by removing the non-nutritional factors of the soybeans, increasing protein content over 60% and increasing protein digestibility to above 90% levels.

Due to these characteristics, SPC is well known as the best vegetable protein to replace fish meal in aquaculture diets. SPC is also widely used for young animal feed (such as piglets and starter chickens), as well as for pet food, among other applications. ♦

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A passion for true benefits



Lintbells, based near Hitchin, Hertfordshire, is behind some of the most exciting brands in the pet trade.

Cooking up a storm

The big idea at Lintbells is to create high quality, natural and affordable pet supplements that help pets reach their full potential. They have spent the last decade cooking up a storm – developing, perfecting, validating, listening to customers and manufacturing the best products they can, using ethically sourced premium-grade ingredients.

The company has become something of a trailblazer in this respect and it explains why their products quite simply, live up to and often exceed expectations.

Global ambitions

Established in 2006 by John Howie and John Davies, Lintbells has a strong focus on scientific validation of its products, working with experts such as the Royal Veterinary College and New Zealand's Marlborough Research Centre. But it doesn't stop with the science because helping pets is at the core of the business.

For Lintbells, every product starts with a pet in need. Lintbells researches, formulates and sells high quality, innovative natural supplements that aim to improve the lives of dogs, cats and

horses. It's a commitment the company takes very seriously and has resulted in products that support skin and coat condition, digestive health and joint care.

Their brands include YuMEGA Itchy Dog, the UK's No.1* veterinary skin supplement and YuMOVE, the UK's No.1* veterinary joint supplement. As well as establishing such a strong presence in the UK, one of the most competitive retail environments in the world, the company has extended its distribution network to fifteen countries since launching and is still growing strong.



Ingredients and production



Quality and sustainability

Lintbells strives for excellence in its supplier relationships and sustainable sourcing is a high priority. This is not only a responsibility of environmental stewardship but also important to safeguard the quality, provenance and traceability of the ingredients they use.

The Green Lipped Mussel used in the YuMOVE range is their own ActivEase™ brand and is sustainably farmed in New Zealand. Sourced from specific locations to ensure the highest quality; the farmers also sign up to a stewardship programme

to ensure the mussels are ethically managed and the environment is cared for. YuMEGA Itchy Dog contains sustainably farmed salmon oil from the crystal-clear fjords of Norway. They are ethically managed to maintain the highest quality and go from live in the fjord to the oil in less than an hour to ensure total freshness and high Omega 3 levels. The golden flax used is a specific variety for high quality grown in Staffordshire; the starflower is grown in Yorkshire or Essex with full traceability, ensuring the oils reach their exacting standard. Lintbells does not use any chemical

extraction or refinement processes to obtain its oils so their natural condition is maintained.

At all levels of the Lintbells organisation there's a realisation that collectively, everyone has a responsibility to help keep pets healthy and happy by providing effective, high quality, pet supplements that really work. ♦

*GfK Vet Trak Sales Data MAT Values (December 2016)

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Global trends: accessories

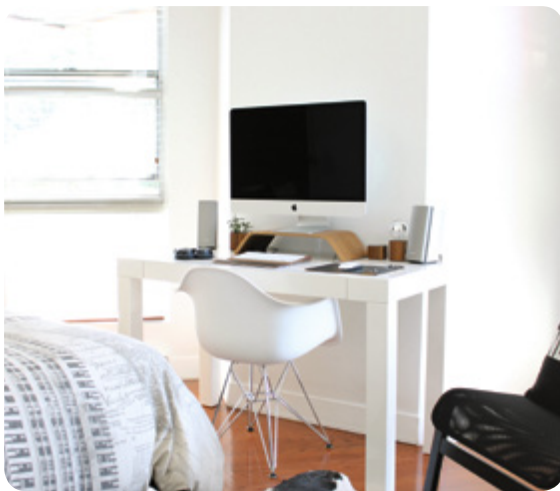
A trend forecast for the coming season. What are the trends in shapes, colours, functions and designs and how do these translate to the pet industry? We also look at technological developments: how does cutting-edge technology continue to enhance our lives and those of our pets?

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Shapes, colours and stories

What are the trends for the coming season? A forecast of shapes, functions, designs and colours and their impact on the pet world.



Flexible and multi-functional living

The flexible living human being has a need for a more flexible living environment. Thanks to current technological developments, it is no longer essential to live in one set location or work from an office. Increased urbanization has led to a decrease in space (tiny housing) and made it necessary to think of practical solutions, to optimize the use and layout of small accommodation options.

This trend can be seen in furniture and accessories that offer modular options, allowing users to alter their size and shape. Products need to be multi-functional in usage, shape and colour. Relaxing remains essential in this lifestyle, expressed in a calm, homely atmosphere with natural accents like comfortable knitted fabrics.

Smaller and more flexible living obviously also affects the choice in pets, such as smaller dogs or co-owning pets with neighbours, and the necessities for them. Dogs go to work with their owners in special carrier bags for bikes or watch their owners working at home from their multi-functional dog beds.



Fabrics have characteristics like moisture management, an antibacterial effect, cool touch or UV-protection.

Crafts, reuse and crossover

Collaboration between designers occurs more and more. Synergy is the keyword in this. We see an increasing number of craft versions of new products.

Older crafting skills are being used to experiment and create new, innovative materials and shapes. The use of new durable materials and reuse of existing elements accompany this movement.

A new trend we see in materials is fabrics offering characteristics such as moisture management, an antibacterial effect, cool touch or UV-protection.

Surprising components and patterns originating from various cultures are being created. An example is the eye-catching combination of African prints and Scandinavian basics.

Functional objects also deserve a beautiful look. There is a need for appealing, crafted and unique products, whether it is, for example, your pet's food bowl or its grooming brush.

► SEE NEXT PAGE



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Rituals and stories

Rituals and 'old masters' are an important design reference as well. This can be observed in the use of shapes and accessories inspired by these. The use of additional layers, ribbons, straps, buttons and pockets comes to mind.

Prints that tell a story are trending. Storytelling can also be seen, more literally, in telling the story of the origin of the product or its usage.



Natural basics and colourful elements

When it comes to colours, this season will be characterized by lots of white, camel and brown as basic colours among others, that will be combined with pink, green, blue and red elements. Red appears to be a motivational colour, while the natural tones give a more relaxing vibe. This is what makes these colours perfect to combine in a multi-functional living environment.

Colourful, spontaneous finds of items discarded on the streets might very well be a good combination with the neutral basics at home as well! And speaking of colourful accents: the floral print is still around, albeit somewhat more abstract, like an aquarelle. ♦



Marlou van Teunenbroek

Online and offline concept creator
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Lex&Max® NETHERLANDS

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Makar CHINA

Makar: fifteen years of designing classics

Makar (established 2002) has been devoted to designing and producing novel and excellent plastic pet products for fifteen years. Every product is designed according to specific habits of pets to facilitate owners in caring for their pets. The integrated self shakeout cat litter box is a fine example of our designs. Many products designed by Makar are regarded as classics in the industry and hold various inventions and design patents.

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Pet care cleansing wipes have a totally renewed packaging with an easy plastic opening that will ensure long lasting freshness and scent. The classic range of forty pcs pack – Aloe Vera & Talc, Clorexhidine & White Musk, Argan Oil & Bergamot – will soon be accompanied by a new Pocket version: the delicate formula of Camelia and Hamamelis, makes these new wipes suitable for cleaning pets' eyes and ears.

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Beeztees THE NETHERLANDS
Beeztees' new Cat Cubes

Beeztees has a new innovative lifestyle concept: Cat Cubes! The Beeztees Cat Cube collection has a unique design and is the first elegant, modular system which appeals to both cats and owners around the world. It is designed to suit different needs and desires of your cat. The range of modules creates a great habitat for cats to eat, sleep and play in. You can mix and match the design and different colours with your interior and change the configuration weekly to keep your cat entertained!

Beeztees believes that every cat deserves a home. For every Cat Cube sold, we will donate 5% to cat shelters worldwide. This will not only make the cats happy, but also the consumers.

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Ferribiella ITALY
Introducing Fun Flat and Crystal

At Zoomark 2017 Ferribiella will be introducing many new, innovative, beautiful and functional products. Fun Flat – the evolution of the Fun silicone line, made of silicone with anylon core. The combination of these two materials results in highly resistant, waterproof and unique leashes, collars and harnesses. Crystal – is the new silica clumping litter in four different fragrances, allowing sanitary and rapid cleaning.

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Family of pet brands since 1955



Hagen, one of the largest privately owned pet companies in the world, keeps investing in innovative brands.

Long road

Over sixty years ago a young German immigrant named Rolf C. Hagen arrived in Montreal, Canada and founded the Hagen Group. Over the past decades the industry has evolved from mom and pop stores to large national retailers and pure e-com players. Hagen took a longer road and built brands for specific categories and channels.

Today the company has distribution and manufacturing facilities in ten countries and exports to many more. It manages market leading brands in key specialty categories like aquatics and reptiles, while investing in brands to cover fast growing categories like natural pet foods and omni-channel sales.

Successful brand portfolio

Late 2015 Hagen moved the production of its Nutrience brand from the U.S. to Canada. Later that year it launched

Nutrience Sub Zero. This exciting addition to the Nutrience range has received tremendous market reception in home market Canada, due to its differentiating unique formulation and inclusions. Sub Zero has brought the best Canada has to offer to new consumers and has just begun to realize its global aspirations.

The revamped Catit product line is one of Hagen's fastest growing ranges. Built as an omni-channel brand from the start, Catit has invested in five star product ranges, lower retail pricing models that protect all sales channels and brilliant social media and digital marketing. Catit shows that a symbiotic relationship between brand, consumer and retailer can exist.

Next steps include launching consumables as Hagen leverages its market leader position in key cat hard goods categories.

The Zoe pet food range was built from the start as a multi-channel brand offering pet specialty levels of innovation at a lower price point. Without compromising, value has been the overarching decision maker, allowing Zoe to bring higher margins to pet specialty (versus leading grocery brands) and higher price points and margin sales to the FDMC channel.

Future

The Hagen Group will continue to invest in its leading specialty brands, while transforming itself into a digital multi-channel home for market leaders in consumables and cat hard goods. ♦

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Life-changing technology

The Internet was created less than thirty years ago, but the technology landscape has evolved at break neck speed ever since. How does technology impact consumers' lives and expectations?

Early beginnings

Back in 1989, when he invented the World Wide Web, little did Tim Berners-Lee envisage that jump to 2017, and Elon Musk would be actively working on integrating the human brain with artificial intelligence to enable humans to improve themselves.

Cut back to the early 1990s; mobile phones were the size of bricks, dial up Internet had just launched, email was fresh on the scene and Microsoft Office was positively futuristic. Since humans aspire to better themselves, and crave connection and efficiency, fairly swiftly these products and services became mainstream. People realized that they loved the convenience and ability to achieve more, even

quicker than before. Whilst most people initially questioned their usefulness, computers and mobile phones rapidly became embedded in people's everyday lives.

As component and battery technology became smaller and more efficient, so did the devices themselves, which made stationary technology a thing of the past. Portability became the name of the game, perfectly suited to evolving societies, where people tended to increasingly be 'on the go'.

Always connected

The next big leap forward, in 2007, was the arrival of smart phones, enabling Internet access at your fingertips whenever you needed it. As Wi-Fi, 3G and

Global trends: accessories

An 'always on' culture started to firmly establish itself.

4G coverage also improved, an 'always on' culture started to firmly establish itself.

Currently, in a global Pew Research Center survey, a median of 43% says they own a smartphone. An additional 45% says they have a cell phone that is not a smartphone. Only 12% says they do not own a cell phone of any kind.

The newest game changer in 2010 was the iPad. Tablet ownership has now edged up to 45% among U.S. adults, which has had a knock-on impact on desktops; especially a decrease in ownership amongst millennials, according to a 2015 Pew Research Center study on technology device ownership.

With such prevalence, unsurprisingly, dependence on devices is growing. Today, more than half of Brits prefer to do a task digitally if they can. And half reach for their smartphone first thing in the morning. Increasingly, we're using apps to do more too. According to Flurry Analytics' State of Mobile report, U.K. app usage has grown 28% in the past year. The two biggest spikes were for messaging and social apps (up 46%) and utilities and productivity apps (up 45%).

Consumers are also watching more video on their devices. As of February 2017, more than 400 hours of content are uploaded to YouTube each minute, and one billion hours of content is watched on YouTube every day.

So what's next?

In essence, technology is now being used to do anything and everything someone doesn't want to do.

In future, Walmart CEO Doug McMillon believes that "customers will expect to save time and enjoy the experience while saving money."

In an interview on weforum.org (January 2017), he says: "They'll want to fulfil their everyday needs in the easiest way possible through a combination of stores, e-commerce, pick-up and delivery, and supported by artificial intelligence. Customer desires – think emerging fashion, fresh produce, and items they've never seen before – will still be fun to explore in stores as well as with technology such as VR. So, retailers that provide a truly unique, enjoyable experience and prepare their staff to provide excellent service will have the advantage."

We're already seeing robot assistants enter homes, hotels and shops. Drone deliveries are also trialling. More recent innovations, such as Amazon Echo and Google Home, are starting to make the Internet of Things an everyday reality too. From smart lighting and heating, to fridges and TVs; robots can play with your kids, help you with household chores, handle your schedule and keep your home connected and safe. Alongside Alexa and Siri, they're set to become a part of families around the world as they help us organize our busy lives.

So from a product perspective, those that automate a person's decision making and/or fulfil a task more efficiently, and those that enhance their lives, will continue to be welcomed. ♦



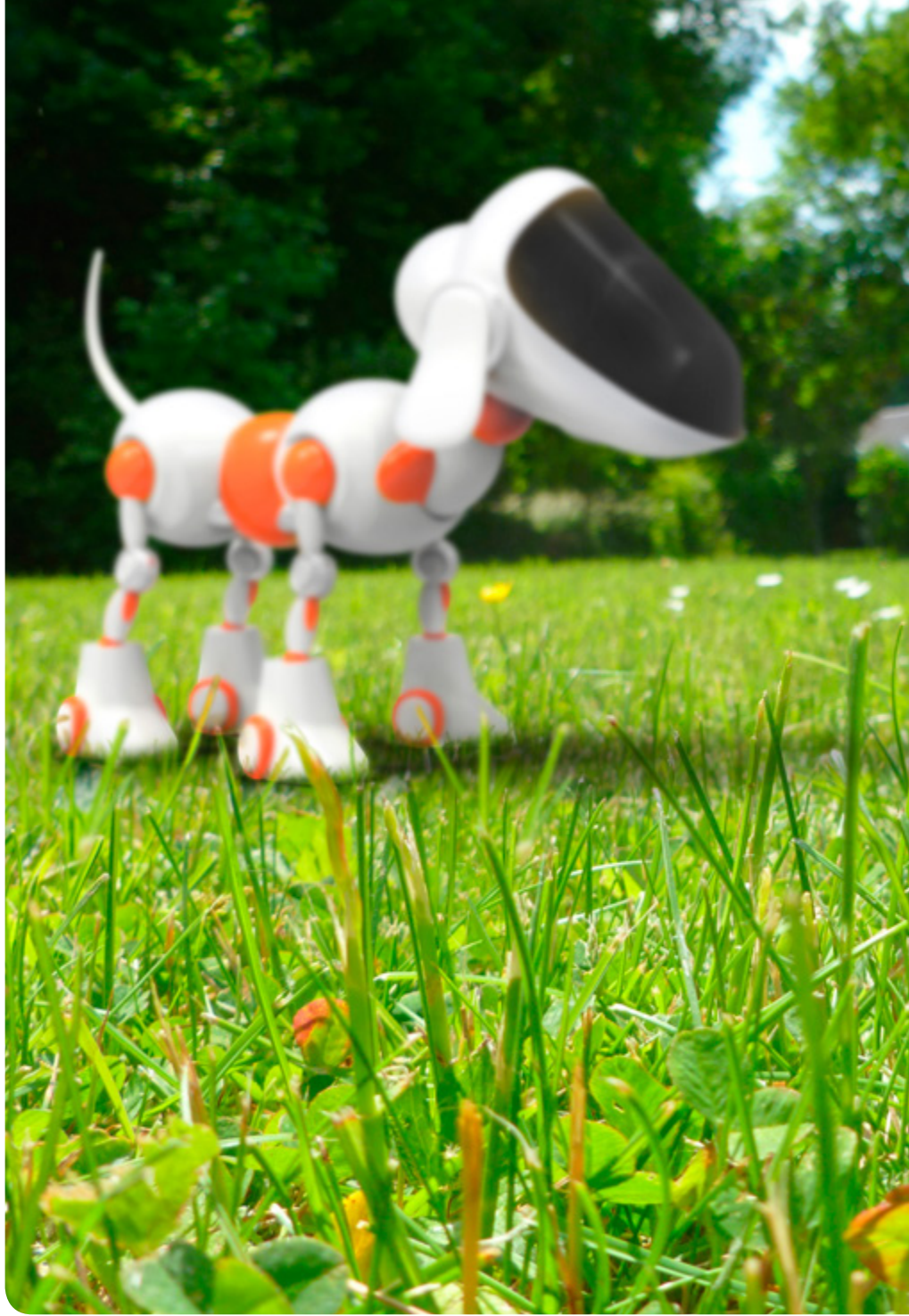
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Trending topics

Global and regional trends should be the starting point for every business. Which current trends can be relevant for your company's mission, strategy and core values?



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*Pet humanization is called
'the greatest investing theme'
in the market.*

Internet transparency

The most important trend is the overwhelming transparency due to the Internet, which is both a blessing and a curse. Nowadays consumers understand the dynamics in the pet industry, for example, and are aware that they can order accessories and food at the source. Websites such as Alibaba.com, AliExpress.com, Amazon.com and Bonanza.com are their guides in online shopping.

Therefore, most companies have to recalibrate their strategy, discover their new added value in a rapidly evolving market, and sometimes even need to reconsider their mission statement and core values. Let's look at some global trends for the pet industry that might affect that.

Pet humanization to the max

Trends such as overpopulation and an ageing society will drive pet humanization to the max. Jim Cramer, Mad Money presenter on CNBC, even called pet humanization "the greatest investing theme" in the market. One of the key drivers is that less and less people in western oriented countries want a life partner to raise kids with. It's such a hassle, that they prefer owning a cuddly pet. These pets are spoiled and dressed up, and services like dog and cat restaurants or pet insurances will benefit from this humanization trend.

Small becomes big business

Urbanization, overcrowded cities and high rent apartments with limited space result in a longing for smaller pets. Small pets are also handy while travelling on public transport, the number one means of transportation in urbanized areas. Diversity in pets will also increase, inspired by people who like to expand their presence with a pet that fits their personality. Think birds, reptiles and rodents.

Patent and brand protection

In a world where consumers can obtain any product or pet instantly, added value can be found in truly unique products and services. Therefore patent and brand protection is key in the years to come: patents on products like robotized, artificial pets or patents protecting genetic modification of pet foods... or even pets. This has already prompted a discussion in the pet industry, comparable with the discussions in the seed industry. Who will own nature in the near future and will present patent protected, genetically modified animal species?

Biological patents

A promising new market, causing a lot of ethical discussion, is biological patents. In the end the focus will be on genes. In most countries 'naturally occurring genes' cannot be patented. In fact only man made things can be legally protected. The interesting aspect is that a genetically modified organism (GMO) can be seen as a thing. Obviously, this is still very much an unexplored area. But that is exactly what real entrepreneurs are looking for. So, go for it: make use of the first mover effect and grab that media attention. ♦



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Global trends: retail

Retail has changed dramatically. Service has become an increasingly crucial distinguisher. Besides selling online at bottom prices, the only way to make a true competitive difference is understanding what customers want and offering advice to fit their specific needs. Discover the trends in pet retail.

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Pet food – a terrific traffic generator	74
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A close-up, macro photograph of a dog's nose, showing the intricate texture of the nostrils and the surrounding fur. The nose is dark and appears almost black, with fine details of the skin and fur visible. The background is a soft, out-of-focus blur of light brown and tan tones, suggesting the dog's fur.

Interview CEO's Fressnapf Group, Pets at Home and Petco.

Feeling, seeing, smelling

In retail, service has become an increasingly crucial distinguisher. Short of selling online at bottom prices, the only way to make a true competitive difference is understanding what customers want and offering advice to fit their specific needs. PETS International asked Fressnapf Group, Pets at Home and Petco CEO's about their views on the changing retail landscape.

The sales price priority

Ever since the emergence of large e-tailers like Amazon, brick-and-mortar retailers have struggled to find the right price settings for their products. From the get go, online prices have been significantly lower than prices in 'offline' stores. As a result, more and more consumers are basing their choices on price considerations above anything else, valuing the appeal of the physical shopping experience less than the direct allure of financial benefit. All in all a development that profoundly impacts the procuring processes of retailers in the pet industry. "Brands

are not always differentiating between retailers and e-tailers, they need to value the role a physical store brings. If they continue to do so it will result in a focus purely on retail price," says Peter Pritchard, CEO of Pets at Home.

"In the pre-Internet era, brands would take their time choosing the retailers they preferred to do business with," former Petco CEO Jim Myers adds. "Back in the day, brands and retailers didn't discuss prices all that much. Suppliers were more concerned about the match of brand image and shop concept."

Global trends: retail

“If our prices are too high, customers will turn away from our stores. Levelling our prices with those of the e-tail business, on the other hand, means we virtually lose our margins.”

– Alfred Glander –

“Previously, brands used to be more concerned about the environment in which their brands would be sold,” Pritchard continues. “Increasingly our buying teams are dealing with brands who are more interested in stocking points. The fact that physical retailers have more to offer than e-tailers sometimes is of minor importance to them.”

The private label solution

Pritchard argues that it is impossible for retailers to beat the e-tail industry on price. “Setting the right sales price is always tricky. The difference between e-tail and retail prices is in danger of becoming too big and that is not sustainable. In my opinion brands need to have more active control over their brands and respect that a face to face conversation with a customer in store is expensive but is how the category is grown.”

Fressnapf Group CEO Alfred Glander points out that retailers have a much lower volume turnover than e-tailers. “We depend on our margins. So in order to remain profitable in the future, we have to keep those margins as broad as we can. That is the main challenge. If our prices are too high, customers will turn away from our stores. Levelling our prices with those of the e-tail business, on the other hand, means we virtually lose our margins.” Small wonder, against this background, that so many large retail chains have failed to survive in the past few years. To avoid sharing their fate, the remaining retailers will have to keep up with the times. They will have to start innovating. Not just in their online activities, but also in terms of the general shopping experience.

Sound competition

“The good news is that we have our private labels,” Peter Pritchard continues. “There, we can set our own margins and these proprietary products strengthen our bargaining position in dealing with the brands, creating sound competition and keeping the market alert.”

Jim Myers agrees that both sides must cooperate to find a solution. “Like Pets at Home, we invest heavily in product presentation. Which is why I expect brands to make an investment as well, in exchange for shelf presence at our stores. Look at it as a form of advertising. Over the past decennia, all major brands have been building strong quality reputations. Which they wouldn’t have been able to do without support from the big retailers. In fact, we can turn small producers into major brands. Web shops can’t do that.” Fressnapf Group has chosen a different approach.

“Our aim is to strengthen the name familiarity and brand value of Fressnapf Group itself. By means of TV commercials and printed advertising,” says Alfred Glander. “If brands meet the demands we set, they are welcome to support Fressnapf Group and make us an offer. If we reach an agreement, they profit from our success.”

Shop experience and emotion

By offering customers a complete shop experience, retailers distinguish themselves from e-tailers like Amazon and Alibaba. “We deal directly and personally with our customers,” says Jim Myers. “E-tailers don’t. Online shops offer a twodimensional experience. There is only rationality, no emotion. With us, shopping is all about feeling, smelling, seeing. That is our strength. And we must use that strength to full advantage.” Peter Pritchard feels that speed and convenience are all e-tailers have to offer. “Retailers are all about what e-tailers simply don’t have.”

Extra services

Modern consumers appreciate a complete experience. Visiting a showroom-like environment has entertainment value as well. It inspires purchases, immediately or at some later point in time. Shops offer an experience that inspires the customer.

► SEE NEXT PAGE

Global trends: retail

“Consumers have become more demanding. Apart from advice, we offer customers opportunities to learn, facilities for trimming their dog or washing their pet in special cleaning cabins.”

– Jim Myers –



Jim Myers, former CEO of Petco

Offering customers the service they want, at the very point-of-sale, requires good communication. The secret is getting the right message across at the right moment. The question is how to do that with maximum efficiency.

Jim Myers believes in extra services as a way to retain existing customers and attract new ones. Which, he emphasizes, is more than just offering advice. “Consumers have become more demanding. Apart from advice, we offer customers opportunities to learn, facilities for trimming their dog or washing their pet in special cleaning cabins. In short, we offer a complete service package. Which creates loyalty and makes customers come back to us.”

“Trimming your dog or implanting a microchip are not services the internet can provide,” Peter Pritchard adds. “We sacrifice floor space to offer these services. Which goes against any retailer’s instincts, but it does pay off. People spend more time in the shop. They are engaged and we do more business.”

Waiting for the magic

Pritchard stresses the importance of planning. Offering top class services is not a thing accomplished overnight. “Make sure you have a solid plan in place and leave the actual work to professional specialists, like vets and experienced dog groomers. When all services and points of sale are operating harmoniously, then get ready to see the magic kick in. There is a synergy that will start working, a mutual reinforcement. The one-stop-shop concept, everything in one place. It is our way of making life easier for our customers, just like online shops do. Our stores are open seven days a week, for people to walk in and buy products, consult a vet or have their dog trimmed. Plus, free parking.”

Alfred Glander of Fressnapf Group agrees that extra services are the way to go. “We are aware of its importance and we are working on it. In 2016, for instance, we re-launched our grooming service ‘Fellini’ in Germany and Austria.”

Spotting cool trends

To stay ahead of the game and successfully compete with the e-tail business, retailers will have to keep innovating, introducing new products and services all the time. Peter Pritchard finds the inspiration he needs at various trade fairs. “For us, the most important venues are SuperZoo in Las Vegas and Global Pet Expo in Orlando. We used to go to the European trade shows as well, but they have become less interesting. They don’t seem to pick up on trends very fast and I think they are lacking in clear vision for the future. Apart from that, our own goals in visiting trade fairs have changed as well. We used to have shopping lists, we wanted to see new products from specific brands. We don’t send our people out with lists anymore. Times have changed. Their missions are different. Now, we want them to spot at least five or ten cool new trends. Best place to do that is in the States.”

Global trends: retail

“For us, the most important venues are SuperZoo in Las Vegas and Global Pet Expo in Orlando. We used to go to the European trade shows as well, but they have become less interesting.”

– Peter Pritchard –



Peter Pritchard, CEO of Pets at Home

“New products can find their way to our shelves within twelve weeks,” Pritchard adds. “And if they don’t take off, we can replace them just as quickly. We use special shelves for new products. This way, over the past few years, we have been able to single out a number of top performers. In the classic purchasing models, this would have been impossible.

No purchasing professional is going to give up shelf space on a gamble. So that experience is important to me. If we are not willing to take chances, there can never be growth in our product categories.”

Pet fairs

“Today, brands contact us directly when they have new products,” Alfred Glander remarks. “Although I’m not sure if that is also true for smaller retail businesses. For us, as for Pets at Home, fairs are primarily scouting ground for new trends.”

Jim Myers feels that the number of pet trade fairs has become excessive. “We used to send our purchasing people all over the world. But there is no need to do that anymore. Procurement has ceased to be a



Alfred Glander, CEO of Fressnapf

trade show business. Today, when we visit trade fairs, products are not our priority. We are interested in networking, and discovering new trends and services. I am convinced that introducing new services and extending our product range to include innovative products will give us a decisive lead over the e-tail business,” says Jim Myers.

“I have worked in retail my entire career. Every once in a couple of years, the business is hit by a new trend wave. Like Wall-Mart in the seventies, when they became big. They were going to take over the world, or so everybody assumed. And of course, they are huge today, but they have never really disrupted our market.”

“I predict the same sort of pattern for the e-tailers. They will grow, significantly, over the next few years. But then, things will start levelling off. They will never succeed in taking over our entire market. Wall-Mart hasn’t done so, and neither will the Amazons and Alibabas of this world. Of course, we need to keep innovating to stay ahead of the game. We must move with the times.” ♦

Pet food - a terrific traffic generator



Not only is the global pet food market steadily growing, it is also considered one of the fastest growing food industry segments. Paul Moers sees eight major trends that will become increasingly significant.

Booming business

Prepared pet food dates back to the end of the 19th century, but in recent years it has become a truly booming business. Families are getting smaller and birth rates are falling, while spendable income levels are rising, as is population ageing.

As a result, there are more pets than ever before. In some countries, like Japan, the number of pets exceeds that of children under the age of fifteen. For 2017, pet food sales are expected to total around \$81 billion (€75.8 billion), compared to \$59.3 billion (€55.5 billion) in 2010.

*Frozen and fresh foods
create new opportunities
for the industry.*

Emotional business

The pet food industry is a very special type of business. According to Dutch market researcher GFK, nine out of ten pet owners perceive and treat their pets as family members. More than half of cat and dog owners buy Christmas presents for their pets and 35% celebrate their birthdays. To most of us, in short, our furry friends are not just animals, they are more like little human beings. We feed them, cuddle them and care for them.

This is reflected in the pet industry, which has become “humanized” as well, with emotional values equaling, if not surpassing the importance of practical aspects. And because of the strong emotional bonds between pets and their owners, people are more and more sensitive to the quality of pet products, paying closer attention to the ingredients of pet foods as well.

North America and Europe remain the largest pet product markets. In the U.S., there are 178 million cats and dogs – roughly 50% of the human population of 354 million. Europe has 180 million cats and dogs for a human population of 754 million. South America and Asia currently have around 70 million cats and dogs, and the numbers in these parts of the world are expected to grow rapidly as income levels rise. Dog foods account for the majority of pet food sales (around 80%). Dry foods are still the most popular food type, but that might change in the near future. Frozen and fresh foods create new opportunities for the industry. Supermarkets will continue to lead in marketing and sales, and for them, pet food is a terrific traffic generator.

Eight major trends

The trends I see emerging and gaining more momentum in the future, are the following:



1. The gap between human food and pet food will narrow

Trends in human food are rapidly becoming trends in pet food as well. The human food industry focuses more and more on the natural trend, banning e-numbers, etc. The food we give our pets has to live up to the standards we apply to the food we eat ourselves. Ingredients have to be clearly specified on the products, so buyers can see what is actually in them and inform themselves on what it is their animals are eating. They want what is best for their pets, and food is one of their major concerns.



2. Online business will grow fast

The Internet is an increasingly important source of information on how we care for our pets. This benefits not only the big names in the pet food industry, it is also good news for small, new entry players, who can distinguish themselves with innovative specialty products. The Internet will help to create a more level playing field with regards to big brands like Mars and Nestlé. Online sales will continue to grow, review sites will become more and more influential and consumers will shape their own empowerment.



3. Pet specialist chains will gain market share worldwide

It's all about purchasing power, and pet food is no exception. Purchasing power is an essential condition for survival in a converging world. Pet specialists can provide additional information and services, but they can also offer their clients a unique experience, focused on their pets. Which is one thing supermarkets can not do. Pet food chains, as a result, will continue to develop, merge and grow.

► SEE NEXT PAGE

Global trends: retail



4. Private labels are becoming private brands

Chains are discovering the extraordinary strength of their brand names. So, they are now putting their own labels on their products. With the purchasing power and scale they possess, they even have the option of innovation, building on the trust consumers have in their products. So, private label products will continue to grow worldwide, offering retailers better margins and consumers a better deal.



5. Tracking the supply chain

Consumers are better informed than ever before. As a result, they are becoming increasingly critical of products and suppliers. Consumer organizations and the Internet offer truckloads of information. Supermarket chains also want to know exactly what is happening in the supply chain, in order to better inform their customers. They want specifications and factsheets. The same is true for retail chains. Product recalls are bad for their image and so they are getting more careful as well.





6. Premiumization

People value the quality of food they buy for themselves. On the same terms and for the same reasons, they want quality products for their pets. Special products. Good is no longer good enough. This is creating all sorts of opportunities for upgrading products and, at the same time, improving margins. GMO-free, added vitamins, luxury packaging, organic food products, authenticity, limited ingredient diets (LID), grain-free, etc. They all create added value and provide great opportunities, especially in well-developed countries, where spendable incomes are high enough to pay for premium products. Now that the worldwide economic crisis is over, consumers are willing to start spending again. The important thing is for pet food suppliers to organize their innovation skills and create new opportunities in the marketplace. Product life cycles are getting shorter than ever, requiring suppliers to increase the pace of innovation and speed up time-to-market.



7. Social media will play an even more important role

Traditional media are struggling to reach customers. Social media are cheaper, often have larger audiences and provide completely new platforms for information and entertainment, with instruction movies and buying options. Pet food suppliers can no longer afford to ignore these new venues. They offer unique opportunities to establish a strong bond with pet owners.



8. Emerging markets

Western European markets will face stagnating increase in volume, but at the same time offer new opportunities in terms of added value. In Central and Eastern Europe, markets will continue to grow, with Russia depending on its relations with the West. If existing sanctions are lifted, the economy might pick up again. The real growth opportunities will

be in China and the Pacific Rim, except for the already mature market in Japan. The largest pet food market by far is North America, but it is as yet unsure what effects the Trump administration will have on economic development. Rigorous action in dealing with the issue of illegal citizens may impact market conditions in unexpected ways, not only in terms of the availability – or unavailability – of cheap labor, but also in terms of spending power. A policy of deportation, in other words, might very well backfire on the economy.

Research and marketing talent

The pet food industry is a fascinating and dynamic business, offering a solid basis of income for suppliers and retailers alike. However, like any other business, it needs the impulse of constant innovation, which in turn requires highly qualified personnel. In many parts of the world the struggle for talent has already started. Pet food producers need top quality researchers and marketers. Branding will become crucial in maintaining market position and price levels. Brands offer trust and added value. Approaching each geographic market individually is of vital importance, as market dynamics and sales channels are often very different from one another. In a world with over 475 million cats and dogs, there is plenty of room for many additional players. Until now, the supplier market has been fragmented, but further concentration is to be expected soon: There is plenty of potential and sufficient profitability. There is a proven track record of crisis immunity. Consumers will keep feeding their pets, no matter what. In other words, risks are limited, which is exactly what suppliers and retailers want. ♦



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Exploring retailer relationships

How do private label suppliers experience the relationship with their retail clients?

Power vacuum

The market for private label products continues to grow throughout Europe but at the same time we have seen the concentration of retail into retail chains with market domination. Mainly in human food, but also in the pet industry. The consequence is that a few powerful buyers interact with many suppliers.

Overcapacity in manufacturing in many product categories, one of them being pet food, has created

an environment with a downward pressure on pricing and margins for private label suppliers. The process of retailer consolidation has had a major impact on the manufacturing industry.

For a private label manufacturer, a contract to supply a retailer may represent a large proportion of their business, whilst one contract for a retailer will represent only a small fraction of their overall business, potentially creating a very one-sided relationship.

Global trends: retail

The process of retailer consolidation has had a major impact on the manufacturing industry.

Research

The International Private Label Consult (IPLC) felt that the conditions that prevail in the market required better understanding from the manufacturer's point of view, specifically on the relationships that they have with their main retail customers across the key areas of:

- bottlenecks in collaboration;
- turnover of contacts;
- decision making;
- communication;
- collaboration and trust;
- quality and price;
- supply chain management;
- tender process.

This moved IPLC to conduct a research study into how private label suppliers in Europe experience the relationship with their retail clients. IPCL consultants interviewed 113 senior managers from its network of private label manufacturers in 16 different European countries. The companies were from a range of product sectors.

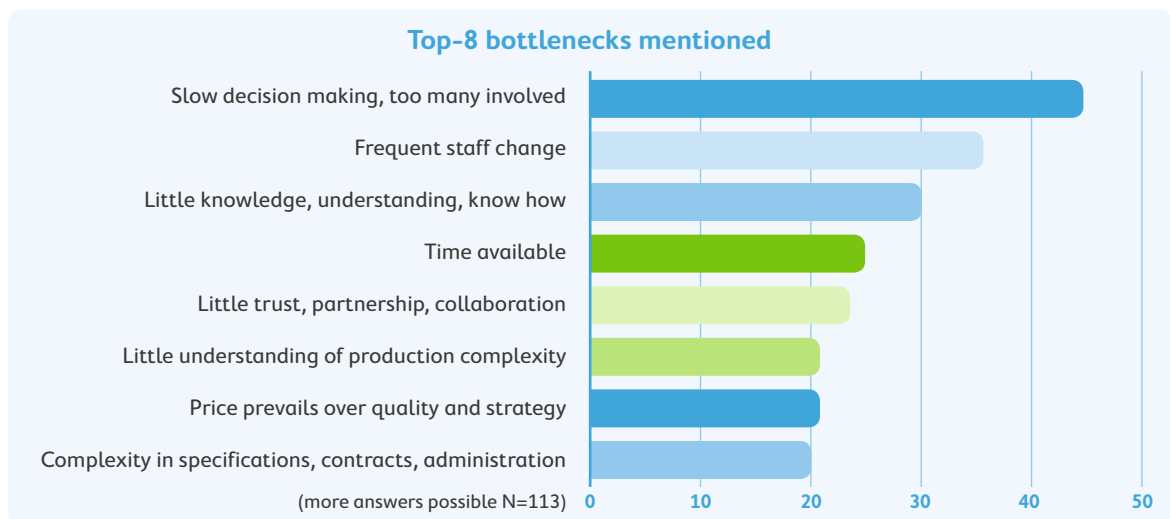
It is the first time that the views of private label manufacturers have been presented in such a way and on such a scale.

Main findings

Currently, the business relationship is very one-sided in the favour of retailers, although there does seem to be more balance with the discount channel.

Another key theme that arose from the research was that most retailers' strategies seem very short term, which does not support long-term collaboration.

Where good practices were found, they were underpinned by an open trading relationship that focused on building categories in a collaborative way. This in turn resulted in a willingness by suppliers to invest for the long term, moving away from tendering and spreadsheet buying.



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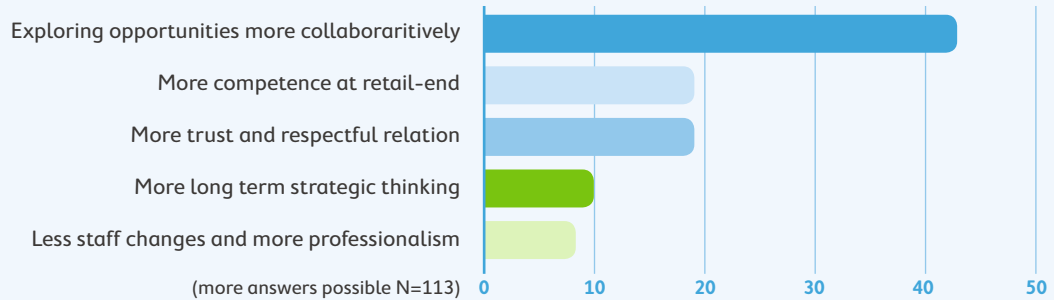
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Top-5 what would you like to see changing in the relationship



Some respondents expressed concern that if the quality of private label was eroded over time due to cost pressures and if this remained undetected by the retailer, then consumers would lose confidence in a retailer's brand.

Inefficiencies

The private label market is one in which tough negotiations prevail, that is the way of business and it will not change. However, if the system fails to get the best product to the end consumer at the best cost, then there is something wrong with the process.



The research shows several inefficiencies in the current process, for instance:

- Too much power on the buying side of the equation.
- Constant change of contacts which in turn leads to a lack of product and category knowledge.
- A narrow focus on only price as a deciding factor, which has eroded the market position of private label over time.
- Inadequate and inconsistent quality control of the product.
- One other striking aspect was that respondents felt the discount channel to be viewed more positively for many elements of the trading relationship.

About IPLC

IPLC is a boutique consulting firm specialised in strategic consultancy services and project management support to suppliers and retailers, with a critical understanding of the European private label industry. Founded in 2003, IPLC has been involved in many international assignments of manufacturers, retailers and the supply industry. ♦

The complete report can be downloaded via:

iplc-europe.com/iplc-research-report-driving-private-label-growth-collaboration



The rise of private label

Brian Sharoff, President of the Private Label Manufacturers Association (PLMA), shares his vision about pet retail and private labels in general.

Popular

More and more retailers in the pet industry are choosing private labels to foster customer loyalty. The latest Nielsen market share statistics show that consumers recognise this and are putting more retailer brand products in their shopping baskets. Private label market share has climbed to all-time highs in ten European countries: Germany, Spain, Italy, The Netherlands, Belgium, Poland, Austria, Sweden, Norway and Denmark.

Natural extension

“More retailers are using their private label programmes as a marketing strategy for their companies and, in so doing, expanding assortment and tiers to meet consumer expectations,” says Brian Sharoff. Under his dynamic leadership, membership of the PLMA has steadily grown from 200 companies in 1979 to more than 4,000 today.

The growth of private labels could affect the relationship between private labels and A-brands. “The relationship between retailers and suppliers is always subject to tension as both sides in the equation promote and protect themselves. I don’t see any reason to think that this will change,” says Brian. Neither does he see the growth of private labels as a threat to large A-brands since their role in the marketplace is based on their own advertising and product development.

“I think premium private label and A-brands complement one another and give consumers greater choice when they shop. Premium private labels are a natural extension of the concept of retailer brands.”

Differentiation

A private label is a good way for retailers to differentiate themselves from their competitors. “Historically, the reasons why a retailer chooses to develop their own private label are higher profit margins and a way to compete with other retailers,” says Brian.

“The logic is simple: if all retailers carry the same A-brands, then the only way to differentiate is on price. With their own brand, not only can retailers achieve better profits, they can also build customer loyalty.”

According to Brian, the idea that the strength of private labels generally varies with economic conditions is something of a myth. “It is true that during economic hard times, those consumers who are feeling the pinch in their wallets may seek alternatives to A-brands as a way to save money. But the fact is that the market share for private labels across Europe has been extraordinarily high for more than two decades and does not rely on bad economic times for growth.”

Continually expanding

Another illusion is that there is a distinct gap in the level of quality between private label and brand name products. “As a general rule, private label quality continues to grow and has become extremely high as retailers recognize that their consumers expect high quality. Are there some retailers who rely on low prices rather than quality to attract customers? Yes, but they are not representative of today’s major retailers.”

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To keep private labels attractive to consumers, retailers need to constantly extend them into new areas. "Retailers expand into new and diverse categories to satisfy consumers and reflect new trends in products, tastes and performance. There is no textbook to help retailers introduce private labels. The simple answer is to commit to quality that is as good as or better than the A-brand, create attractive packaging, position the products at eye-level, and instruct employees about the quality and benefits of own brands so that they can convey that message to consumers."

The need to innovate

Brian believes that a private label is important to pet retailers in the same way as it is important to supermarkets and hypermarkets in general. "Private labels allow the retailer to develop their own assortment, demonstrate to consumers that this is the place for them to shop, and build customer loyalty. Reliance on A-brands in pet products simply doesn't accomplish that."

In the pet trade, big retailers such as Fressnapf and PetSmart have driven private labels to high levels. They are in an extremely competitive environment where they compete with huge grocery stores and the fast-growing world of e-commerce. To keep up the pace, they need to innovate. "Every retailer is the best judge of their customer base and marketing strategy, so one cannot generalize," says Brian. "High quality, creative assortment and responsiveness to consumers are the best methods to achieve success."

Benefits and pitfalls

Brian has a clear opinion on the main benefits of private labels. "Here the textbook is very clear – higher margins, differentiation from competitors, consumer loyalty. On the other hand, the biggest



Brian Sharoff, President PLMA

pitfalls are the laziness of retailers with regard to quality, and a mistaken belief that consumers want a low price. A retailer that falls into these two traps almost guarantees that their private label will not succeed."

The future

Brian thinks that the future of private label is clearly linked to the future of retailing. "As retailing evolves into a greater degree of e-commerce, private label will be reflected in the mix of products offered online. E-commerce is still in its infancy in grocery retailing. While Amazon has heralded a new era in shopping, the vast majority of shopping is still done at bricks-and-mortar. Clearly, retailers who operate stores will have to adapt to e-commerce as it grows more popular but it is still at the experimental stage. As bricks-and-mortar retailing evolves into stronger and larger mega retailers, private label will be an integral part of their offering to consumers." ♦

- ♦ **Private Label Manufacturers Association**
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plmainternational.com



M&A: Changing focus

One of the constants in a changing pet food world is the continuing number of mergers and acquisitions.

Attractive, growing industry

Mergers & Acquisitions (M&A) are a global phenomenon, driven by the North American market. But M&A have become more significant in Europe too, and currently activities in Asia and among Asian investors are increasing.

The pet industry remains very attractive. It is an industry worth in excess of \$100 billion (€91.5 billion), growing consistently and faster than many other grocery categories. Its growth is based on very strong fundamentals, including increasing levels of pet ownership, humanization and premiumization.

In developed, primarily Western markets, pet ownership is generally constant, with some growth. There are exceptions, such as the U.S., where pet ownership continues to grow.

In developing markets, pet ownership is growing in line with economic development. Countries such as China have experienced tremendous economic growth and pet population and ownership rates have exploded likewise. As these economies continue to grow, so too will pet ownership.

Increasing pet ownership allied with a global humanization and premiumization trend is also driving growth. Pet 'parents' switch to better, more expensive pet foods and products, which drives a constant growth in market values.

These trends will continue to make the pet industry attractive to investors, both to industry insiders and outsiders, and we foresee some notable types of investment.

*In developing markets,
pet ownership is growing in line
with economic development.*

Consolidators

Buying a series of brands/companies and bringing them together to gain synergies remains an important area. This can be challenging, as Perusa would confirm with the Karlie/Paulchen/Flamingo acquisitions.

Incremental acquisitions

Strategic bolt-on acquisitions have become more common: smaller acquisitions get companies into niches or fast growing segments where bigger brands would not have the traction, or in which the scale is too small. Acquisitions enable companies to acquire product skills or intellectual property (IP) that is likely to be important in future. Examples are WellPet (U.S.) which has acquired SOJOS, a freeze dried and raw food specialist, to complement their natural brands portfolio, and recently Whimzees (Paragon in the Netherlands) whose dental snacks range adds to their treats and snacks portfolio.

Nestlé Purina also bought up some smaller brands. In 2015, it acquired Merrick in the U.S., one of the fastest growing natural brands in pet specialty foods. This March, it announced a majority share in Terra Canis of Germany, a small high-quality (primarily) wet dog and cat food brand, using human grade ingredients. Both acquisitions give Nestlé Purina an entry to categories that are too small for their brands to enter or where their existing brands lack the image or consumer trust to be successful.

PetsMart, the U.S. specialist retailer, has announced the purchase of Chewy.com, a leading online only retailer. In recent years Chewy rapidly built a leading position online. Chewy's and other online retailers' success has had a serious impact on big box retailers (Petco, PetsMart), where sales have been flat or declining in an otherwise growing market. The acquisition gives PetsMart a strong position, in both online and bricks and mortar outlets.

Active Chinese companies

A recent trend is Chinese firms investing in the West, often with the goal to grow and expand their business and geographic coverage. They may have established brands and market presence at home, but may not be easily accepted in new markets. An acquisition can ease acceptance and enable them to gain knowledge of markets and consumers at a much lower risk and much faster than building brands from scratch.

Hillhouse Capital from China recently completed purchasing Gimborn, a long established German manufacturer and brand owner of cat and dog snacks (Gimpet, Gimcat, Gimdog brands) and clumping clay cat litters (Biokat). Hillhouse sees major business growth opportunities by bringing respected Western brands to Chinese and Asian markets and expanding their European business.

Future of M&A

The intrinsic attractiveness of the pet industry to investors is undisputed. We will surely see an increase in smaller investments, as larger companies acquire niche brands. Like Catterton, which invested in companies such as Waggy Pet Foods in the U.K. and Lily's Kitchen, a natural brands innovator.

Undoubtedly, investments from and into China will increase, as that market develops and local companies seek to expand and gain marketing and brand skills, enabling them to become global players. ♦



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Global trends

The global pet industry is considered one of the fastest growing market segments. This section contains a global overview of market figures illustrating the state of the pet industry worldwide, as well as a report on the evolving global pet retail.

Facts and figures	90
Evolving global pet retail	92

LATIN AMERICA
 market size 10.9 bln.
 growth 3.4%

NORTH AMERICA
 market size 48.8 bln.
 growth 1.8%

CANADA
 pets 27.4 mln.
 growth 2.4%

UNITED STATES
 pets 229.9 mln.
 growth 1.8%

GERMANY
 pets 36.2 mln.
 growth 0.7%

NETHERLANDS
 pets 32.0 mln.
 growth -0.6%

UNITED KINGDOM
 pets 58.8 mln.
 growth -0.7%

FRANCE
 pets 65.3 mln.
 growth 0.9%

ITALY
 pets 60.3 mln.
 growth 2.3%

SPAIN
 pets 19.8 mln.
 growth 2.3%

MEXICO
 pets 40.7 mln.
 growth 4.1%

BRAZIL
 pets 142.7 mln.
 growth 3.3%

ARGENTINA
 pets 21.8 mln.
 growth -1.3%

SOUTH AFRICA
 pets 18.9 mln.
 growth 1.9%

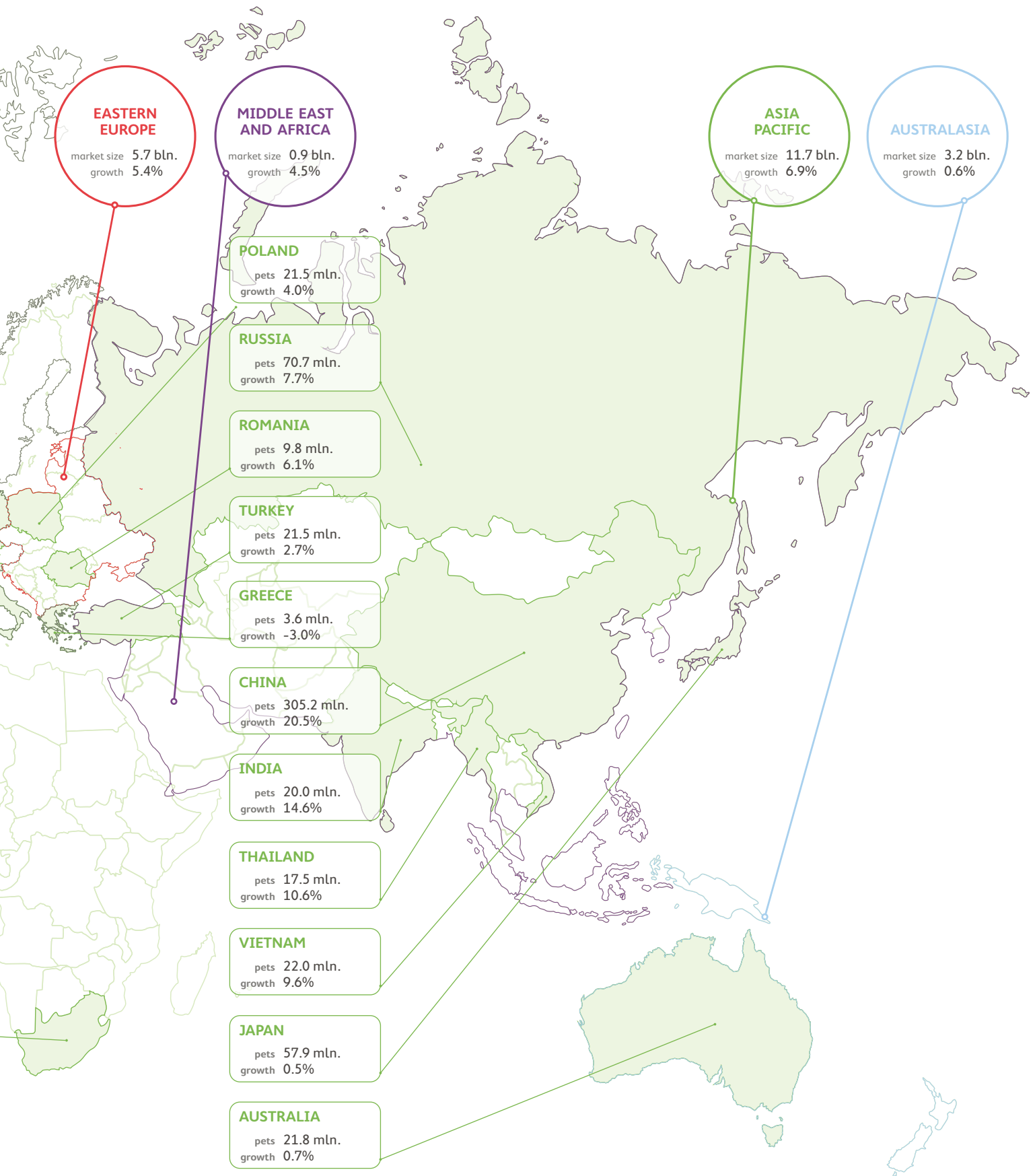
WESTERN EUROPE
 market size 28.6 bln.
 growth 0.8%

To interpret the figures
 pets: Number of pets in million,
 2016 figures
 market size: Total pet care in US\$ billion,
 2016 figures
 all growth rates: 2016 compared to 2015

TOP 10: Fastest growing countries
 MARKET VALUE GROWTH: 2012 - 2017 CAGR%

1	India	16.3%
2	China	14.7%
3	Thailand	12.2%
4	Vietnam	12.2%
5	Chile	9.9%
6	South Korea	8.2%
7	Bulgaria	7.7%
8	Egypt	7.5%
9	Phillipines	7.4%
10	Saudi Arabia	7.4%
10	Indonesia	7.3%

Global trends





Evolving global pet retail

Euromonitor International's latest research shows that global pet care sales in excess of \$109 billion (€99.4 billion) are expected for 2017, a 2% increase on the previous year.

Adapting to change

The industry continues to perform well, particularly in the face of increasing economic and political uncertainty. Consumers are adapting to this uncertain climate and shifts are being perceived in many regions.

Convenience has become king, with pet owners increasingly valuing being able to compare products, learn from their peers and then purchase online. The rise of subscription services such as Prime and the acquisition of Chewy by PetSmart, are just the tip of the iceberg.

One-stop shopping

Grocery retailers (which includes supermarkets, hypermarkets and discounters) account for the largest share of pet care value sales globally. The convenience offered by such outlets and the opportunity for one-stop shopping is important to many pet parents. Grocery retailers have a strong presence in most regions, but they are strongest in Australasia, generating 66% of all pet care value sales in a mature grocery retail environment.

Grocery retailers have realised the category's potential, and many retailers have diversified their

Global trends

product ranges. For example, Tesco in the U.K. has partnered with FreshPet in order to offer consumers raw and chilled fresh food. Another example comes from Aldi in Germany that has been launching new products with a more premium feel. In fact, recent shifts indicate that the competition is heating up significantly and 'mass grocery' is capturing increasingly more consumers as the recent success of Nutrish in the U.S. attests.

Competitive environment

Globally, pet shops and pet superstores have faced significant pressure from grocery retailers. With their economies of scale and price competitiveness, grocery retailers have managed to attract more price-conscious consumers. The specialist channel, comprised of pet shops, pet superstores and veterinary clinics, accounts for 30% of global pet care value sales, with significant differences across regions.

Nevertheless, pet specialists are preferred by many pet parents due to the expertise they can provide. In the U.S., for example, the channel has been quite dynamic, generating substantial growth. Pet shops and pet superstores, which typically have a premium and diverse offering, have managed to attract not only affluent consumers but also a significant proportion of pet parents looking for alternative and niche products. The prominence of the natural trend has been a key driver in attracting such consumers. For manufacturers it has also been key and many opt to only place their products in such stores in order to guarantee brand equity. Having said that, brands such as Nature's Recipe, once typically only sold in the pet specialists channel, are now also present in grocery retailers.

Internet retailing

For all the recent shifts, nothing comes close to the increasing popularity of internet retailing.

The channel is experiencing dramatic growth, with its value share doubling from 3% in 2011 to 6% in 2016. Both pure online and multichannel players have driven the growth and are benefitting from this trend.

Pet care internet retailing has seen particular success in China, where the share of pet care value sales generated through internet retailing has rocketed from 3% in 2011 to 33% in 2016, not least due to local internet retailer Alibaba expanding aggressively in rural China.

In Europe, pet care pure play Zooplus has reported significant success (a 24% increase in Q1 2017) and has been paramount in developing the channel as it is present in thirty countries. Pet superstores such as Fressnapf and Pets at Home are also stepping up their efforts.

The competition posed by this channel is apparent, with PetSmart, the largest U.S. chain, acquiring Chewy, one of the largest pet care pure plays in the U.S. in 2017. Despite recent investments in its omnichannel strategy, the acquisition speaks volumes about the competition Chewy was placing on bricks and mortar.

Opportunities

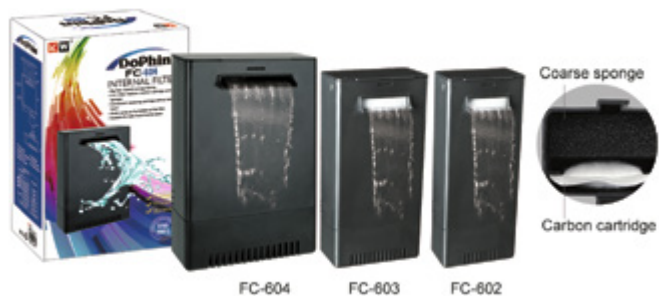
Overall, there are many opportunities in pet care as the industry has good growth prospects, but manufacturers and retailers need to work together in order to keep value in the industry. Channels need to be assessed as price competition on its own will not be successful in the long run. New strategies to attract consumers need to be devised going forward. ♦



Paula Flores

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euromonitor.com

Advertorials



KW Zone MALAYSIA

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TECO S.r.l.
info@tecoonline.com
tecoonline.eu

Calendar of events



Zoosphere: White Nights 2017 – 25th Anniversary Edition

Jun 22, 2017 to Jun 24, 2017

EXPOFORUM Convention and Exhibition Centre, St. Petersburg, Russia

zoosphere.expoforum.ru



Superzoo 2017

Jul 25, 2017 to Jul 27, 2017

Mandalay Bay Convention Center, Las Vegas, NV, United States

superzoo.org



Pet South America 2017

Aug 15, 2017 to Aug 17, 2017

Sao Paulo Expo, Sao Paulo, Brazil

petsa.com.br



Pet Fair Asia 2017

Aug 24, 2017 to Aug 27, 2017

Shanghai New International Expo Center (SNIEC), Shanghai, China

petfairasia.com



ParkZoo 2017

Sep 20, 2017 to Sep 22, 2017

Sokolniki Exhibition Center, Moscow, Russia

parkzoo.ru



PATS Telford 2017

Sep 24, 2017 to Sep 25, 2017

Telford International Centre, Telford, United Kingdom

patshow.co.uk



GlobalPETS Forum Asia 2017

Nov 15, 2017

Shanghai, China

globalpetsforum.com



CIPS 2017

Nov 16, 2017 to Nov 19, 2017

National Exhibition and Convention Center, Shanghai, China

en.cipscom.com

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See page 5 for subjects. Contact head office (below) or local representatives (page 95).

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