

RESEARCH SUMMARY

 **Yano Research Institute Ltd.**
2-46-2 Honcho, Nakano-ku,
Tokyo 164-8620, Japan

Pet Business Industry in Japan: Key Research Findings 2010

 Research Outline

Yano Research Institute has conducted a study on pet business industry in Japan with following conditions.

1. Research period: April to June 2010
2. Research targets: Manufacturers, wholesalers and retailers of pet foods and supplies
3. Research methodologies: Face-to-face interviews, telephone and fax surveys, literature research

DEFINITION

The pet business industry in this study consists of the markets of pet foods, pet supplies, live animals and other pet-related businesses. The industry size is calculated based on retail sales value. The pet hospital market, excluding livestock, has begun to be included in the calculation of the total industry size since 2010, and the history of industry size was recalculated accordingly.

 Key Findings

- ◆ **The fiscal 2009 pet business industry size increased by 1.3 percent to 1,370.6 billion yen.**

The industry had been expanded steadily with the pet boom, however, it increased only slightly in fiscal 2009 due to worsened economy and declined consumers' buying desire.

- ◆ **Pricing is polarized and needs are diversified in the pet foods market.**

The pet foods market, which represents nearly 40 percent of the pet business industry, increased to 409.1 billion yen based on retail sales value, up 0.5 percent from the previous year. Although high unit price and profitable premium type are indispensable for future market growth, polarization between economy class and premium class is becoming larger. Furthermore, consumer needs are diversified, looking for "healthy and functional," "gourmet" or "prepared by type of breed" products.

- ◆ **While consumers abstained from buying pet supplies and unit prices dropped, some sectors favorably increased.**

The fiscal 2009 pet supplies market increased to 246.6 billion yen, up 0.8 percent from the previous year. The market had grown, driven by indoor pet products, however, the fiscal 2009 market increased only slightly similar to the pet foods market. Consumers abstained buying non-necessities and unit prices dropped. On the other hand, new categories with the keyword of "indoor rearing" grow relatively well.

- ◆ **"Small dogs," "aging," "indoor rearing" and "companion" continue to be the keys.**

Pets have become a human's companion. Pet owners who consider pets as their partner to live together are increasing. Under this situation, a various businesses for clothing, foods, living and services are created and expanded, which are the growth drivers of pet-related businesses. Recent business trends in consideration for "small dogs," "aging," "indoor rearing" and "companion animals" are expected to continue.

 Report format:

Published report: "Pet Business 2010"

Issued in: June 2010

Language: Japanese

Format: 411 pages in A4 format

Price: 100,000 yen (5,000 yen of consumption tax will be additionally charged for sales in Japan.)

Contacts: Public Relations **Yano Research Institute Ltd.**

URL: <http://www.yanoresearch.com> Phone: +81-3-5371-6912 E-mail: press@yano.co.jp

➤ **Summary of Research Findings:**

1. Industry Overview

The fiscal 2009 pet business industry size is estimated at 1,370.6 billion yen based on retail sales value, up 1.3 percent from the previous year. The industry had been expanded steadily with the pet boom, however, it increased only slightly in fiscal 2009 due to worsened economy and declined consumers' buying desire.

Although the economy is said to be in a recovery trend, it is still difficult for consumers to feel the real recovery. Therefore, the severe condition is anticipated to continue in the fiscal 2010. The fiscal 2010 industry size is projected to be 1,384.3 billion yen, up 1 percent from the previous year.

2. Market Trends by Sector

2.1. Pet Foods Market

The pet foods market, which represents nearly 40 percent of the pet business industry, increased to 409.1 billion yen based on retail sales value, up 0.5 percent from the previous year. The fiscal 2008 market increased in value basis because of price raise due to the hike of raw materials. The fiscal 2009 market was flat from the previous year due to slowed down sales of expensive premium foods influenced by worsened economy. Although high unit price and profitable premium type are indispensable for future market growth, polarization between economy class and premium class is becoming larger. Furthermore, consumer needs are diversified, looking for "healthy and functional," "gourmet" or "prepared by type of breed" products.

The dog foods sector, which accounts for 50 percent of the pet foods market, has compensated the drop of sales quantity with sales of premium products with high unit price. Products are developed responding in details to consumers and pets' preferences and needs, for example, providing foods by type of breed and by life stage. Recently the cat foods sector has been growing more than the dog foods sector, and manufacturers are placing efforts in developments of cat foods.

2.2. Pet Supplies Market

The fiscal 2009 pet supplies market increased to 246.6 billion yen based on retail sales value, up 0.8 percent from the previous year. The market had grown, driven by indoor pet products, however, the fiscal 2009 market increased only slightly similar to the pet foods market. Consumers abstained buying non-necessities, such as clothing. Unit prices of consumable products, including pet sheets and cat sand dropped. Private brand products sold well. However, new categories with the keyword of "indoor rearing," such as wet tissue paper and training agents, grow relatively well. There is a large room for this market to expand with the creation of new categories.

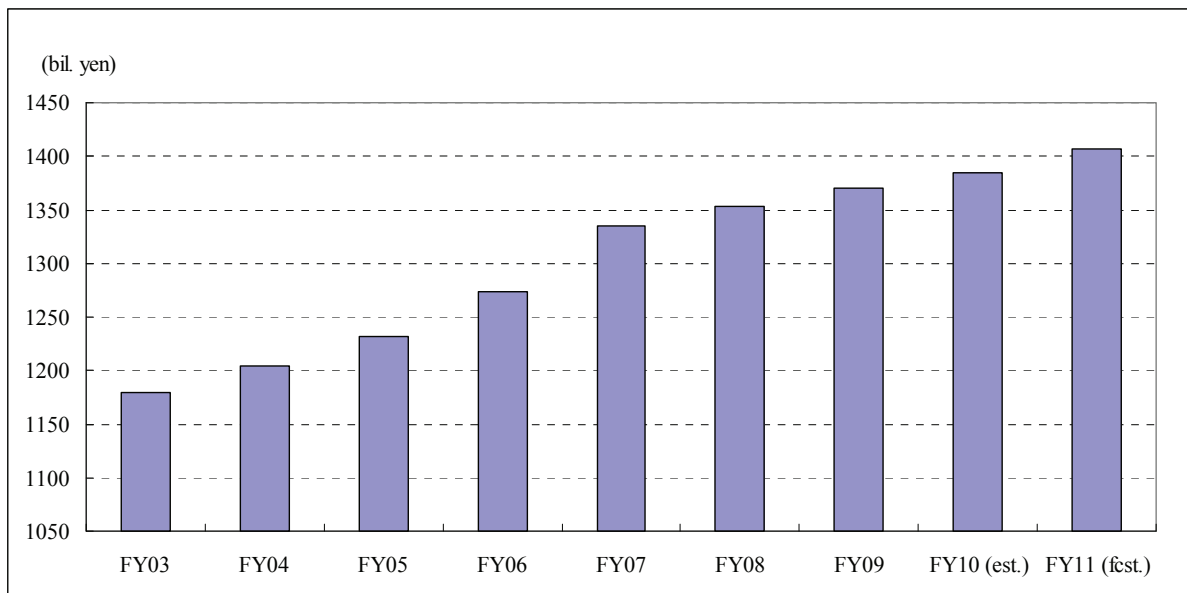
2.3. Pet-related Business Market

Pets have become a human's companion. Pet owners who consider pets as their partner to live together are increasing. Under this situation, a various businesses for clothing, foods, living and services are created and expanded, which are the growth drivers of pet-related businesses. Pet hospitals, pet hotels and trimming services have become popular and general. More companies are offering specialized services to satisfy the needs of pet owners and one-stop service for those who want various kinds of services at one spot. Along with aging of pets and indoor rearing, there many problems are expected to occur, including nursing care, insufficient exercises, lifestyle-related diseases, manner and training for social living. These may become social problems, however, their solution businesses can be developed. Although the fiscal 2009 market growth slowed down as other markets did, future growth is expected.

3. Industry Outlook

There is still a room for the pet industry expansion although it is difficult to maintain high growth as seen before. People are more eager to keep pets under the aging society with less children and increasing single families. Responding to these trends, collective houses are installing facilities for pet rearing. Recent business trends in consideration for “small dogs,” “aging society,” “indoor rearing” and “companion animals” are expected to continue.

[Changes in Market Size of Pet Business]



Estimated by Yano Research Institute Ltd.

Note: Based on retail sales value.